LIFE AND ACCIDENT AND HEALTH COMPANIES - ASSOCIATION EDITION

# ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2014
OF THE CONDITION AND AFFAIRS OF THE

# Golden Rule Insurance Company

NAIC Group Code 0707 (Current) 0707 (Prior) NAIC Company Code 62286 Employer's ID Number 37-6028756

Organized under the Laws of Indiana, State of Domicile or Port of Entry Indiana

Country of Domicile United States of America

Incorporated/Organized 06/17/1959 Commenced Business 06/23/1961

Statutory Home Office 7440 Woodland Drive (Street and Number), Indianapolis , IN, US 46278 (City or Town, State, Country and Zip Code)

Main Administrative Office 7440 Woodland Drive (Street and Number)
Indianapolis , IN, US 46278 (City or Town, State, Country and Zip Code), 317-290-8100 (Area Code) (Telephone Number)

Mail Address 7440 Woodland Drive (Street and Number or P.O. Box), Indianapolis , IN, US 46278 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 7440 Woodland Drive (Street and Number)
Indianapolis , IN, US 46278 (City or Town, State, Country and Zip Code), 317-290-8100 (Area Code) (Telephone Number)

Internet Website Address goldenrule.com

Statutory Statement Contact Brian Leon Davis (Name), 317-715-7910 (Area Code) (Telephone Number)
bdavis@unitedhealthone.com (E-mail Address), 317-298-0875 (FAX Number)

## OFFICERS

| | | | |
|---|---|---|---|
| President, Chief Executive Officer, Chair | Patrick Francis Carr | Treasurer | Robert Worth Oberrender |
| Secretary | Richard Charles Sullivan # | Vice President, Chief Financial Officer | Brian Leon Davis |

## OTHER

| | | |
|---|---|---|
| Michael Lee Corne Vice President | James Mark Gabriel Senior Vice President, Chief Actuary | Michelle Marie Huntley # Assistant Secretary |
| Juanita Bolland Luis # Assistant Secretary | Timothy Allen Luker Appointed Actuary | |

## DIRECTORS OR TRUSTEES

| | | |
|---|---|---|
| Patrick Francis Carr | Michael Lee Corne | James Mark Gabriel |
| Darrell Steven Richey | Richard Charles Sullivan # | |

State of Indiana
County of Marion
SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

| | | |
|---|---|---|
| Patrick Francis Carr<br>President, Chief Executive Officer, Chair | Richard Charles Sullivan<br>Secretary | Brian Leon Davis<br>Vice President, Chief Financial Officer |

Subscribed and sworn to before me this
________ day of ________________

a. Is this an original filing? Yes [ X ] No [ ]
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

# ASSETS

| | | Current Year 1 Assets | 2 Nonadmitted Assets | 3 Net Admitted Assets (Cols. 1 - 2) | Prior Year 4 Net Admitted Assets |
|---|---|---|---|---|---|
| 1. | Bonds (Schedule D) | 570,602,891 | | 570,602,891 | 593,040,151 |
| 2. | Stocks (Schedule D): | | | | |
| | 2.1 Preferred stocks | | | 0 | 0 |
| | 2.2 Common stocks | 0 | | 0 | 0 |
| 3. | Mortgage loans on real estate (Schedule B): | | | | |
| | 3.1 First liens | | | 0 | 0 |
| | 3.2 Other than first liens | | | 0 | 0 |
| 4. | Real estate (Schedule A): | | | | |
| | 4.1 Properties occupied by the company (less $ 0 encumbrances) | 3,190,599 | | 3,190,599 | 3,622,200 |
| | 4.2 Properties held for the production of income (less $ 0 encumbrances) | | | 0 | 0 |
| | 4.3 Properties held for sale (less $ 0 encumbrances) | | | 0 | 0 |
| 5. | Cash ($ (2,272,914) , Schedule E - Part 1), cash equivalents ($ 0 , Schedule E - Part 2) and short-term investments ($ 67,904,071 , Schedule DA) | 65,631,157 | | 65,631,157 | 73,049,499 |
| 6. | Contract loans (including $ premium notes) | | | 0 | 0 |
| 7. | Derivatives (Schedule DB) | | | 0 | 0 |
| 8. | Other invested assets (Schedule BA) | 19,682,374 | | 19,682,374 | 22,006,970 |
| 9. | Receivables for securities | | | 0 | 0 |
| 10. | Securities lending reinvested collateral assets (Schedule DL) | | | 0 | 0 |
| 11. | Aggregate write-ins for invested assets | 0 | 0 | 0 | 0 |
| 12. | Subtotals, cash and invested assets (Lines 1 to 11) | 659,107,022 | 0 | 659,107,022 | 691,718,820 |
| 13. | Title plants less $ charged off (for Title insurers only) | | | 0 | 0 |
| 14. | Investment income due and accrued | 5,366,259 | | 5,366,259 | 5,576,966 |
| 15. | Premiums and considerations: | | | | |
| | 15.1 Uncollected premiums and agents' balances in the course of collection | 16,406,320 | 7,335 | 16,398,985 | 17,988,192 |
| | 15.2 Deferred premiums and agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums) | | | 0 | 0 |
| | 15.3 Accrued retrospective premiums | | | 0 | 0 |
| 16. | Reinsurance: | | | | |
| | 16.1 Amounts recoverable from reinsurers | 75,000 | | 75,000 | 328,869 |
| | 16.2 Funds held by or deposited with reinsured companies | | | 0 | 0 |
| | 16.3 Other amounts receivable under reinsurance contracts | 751,586 | | 751,586 | 759,522 |
| 17. | Amounts receivable relating to uninsured plans | | | 0 | 0 |
| 18.1 | Current federal and foreign income tax recoverable and interest thereon | 3,992,737 | | 3,992,737 | 23,134,147 |
| 18.2 | Net deferred tax asset | 20,379,738 | 6,404,704 | 13,975,034 | 14,695,418 |
| 19. | Guaranty funds receivable or on deposit | 1,939,050 | | 1,939,050 | 2,980,243 |
| 20. | Electronic data processing equipment and software | | | 0 | 2,344,380 |
| 21. | Furniture and equipment, including health care delivery assets ($ ) | | | 0 | 0 |
| 22. | Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 | 0 |
| 23. | Receivables from parent, subsidiaries and affiliates | 9,393,510 | | 9,393,510 | 0 |
| 24. | Health care ($ 10,068,222 ) and other amounts receivable | 10,068,222 | 2,858,954 | 7,209,268 | 0 |
| 25. | Aggregate write-ins for other than invested assets | 3,887,178 | 3,887,178 | 0 | 258,760 |
| 26. | Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 731,366,622 | 13,158,171 | 718,208,451 | 759,785,315 |
| 27. | From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | 0 | 0 |
| 28. | Total (Lines 26 and 27) | 731,366,622 | 13,158,171 | 718,208,451 | 759,785,315 |
| | **DETAILS OF WRITE-INS** | | | | |
| 1101. | | | | | |
| 1102. | | | | | |
| 1103. | | | | | |
| 1198. | Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 | 0 |
| 1199. | Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above) | 0 | 0 | 0 | 0 |
| 2501. | Advances and Prepaids | 3,887,178 | 3,887,178 | 0 | 0 |
| 2502. | State Income Tax Receivable | 0 | 0 | 0 | 258,760 |
| 2503. | | | | | |
| 2598. | Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 | 0 |
| 2599. | Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) | 3,887,178 | 3,887,178 | 0 | 258,760 |

# LIABILITIES, SURPLUS AND OTHER FUNDS

| | | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|---|
| 1. | Aggregate reserve for life contracts $ 50,631 (Exh. 5, Line 9999999) less $ included in Line 6.3 (including $ Modco Reserve) | 50,631 | 75,941 |
| 2. | Aggregate reserve for accident and health contracts (including $ 0 Modco Reserve) | 84,122,300 | 103,632,834 |
| 3. | Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including $ Modco Reserve) | 0 | 0 |
| 4. | Contract claims: | | |
| | 4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11) | 599,892 | 1,043,717 |
| | 4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11) | 166,270,488 | 196,622,984 |
| 5. | Policyholders' dividends $ and coupons $ due and unpaid (Exhibit 4, Line 10) | 0 | 0 |
| 6. | Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts: | | |
| | 6.1 Dividends apportioned for payment (including $ Modco) | | |
| | 6.2 Dividends not yet apportioned (including $ Modco) | | |
| | 6.3 Coupons and similar benefits (including $ Modco) | | |
| 7. | Amount provisionally held for deferred dividend policies not included in Line 6 | | |
| 8. | Premiums and annuity considerations for life and accident and health contracts received in advance less $ discount; including $ 18,738,771 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of lines 4 and 14) | 18,760,442 | 23,234,290 |
| 9. | Contract liabilities not included elsewhere: | | |
| | 9.1 Surrender values on canceled contracts | | |
| | 9.2 Provision for experience rating refunds, including the liability of $ 37,209,993 accident and health experience rating refunds of which $ 33,722,507 is for medical loss ratio rebate per the Public Health Service Act | 37,209,993 | 31,353,537 |
| | 9.3 Other amounts payable on reinsurance, including $ assumed and $ ceded | 0 | 79,034 |
| | 9.4 Interest maintenance reserve (IMR, Line 6) | 8,941,484 | 10,346,820 |
| 10. | Commissions to agents due or accrued-life and annuity contracts $ 32,789 accident and health $ 5,823,772 and deposit-type contract funds $ 0 | 5,856,561 | 10,153,635 |
| 11. | Commissions and expense allowances payable on reinsurance assumed | | |
| 12. | General expenses due or accrued (Exhibit 2, Line 12, Col. 6) | 3,665,962 | 11,215,279 |
| 13. | Transfers to Separate Accounts due or accrued (net) (including $ accrued for expense allowances recognized in reserves, net of reinsured allowances) | | |
| 14. | Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5) | 43,259,095 | 22,255,927 |
| 15.1 | Current federal and foreign income taxes, including $ on realized capital gains (losses) | | |
| 15.2 | Net deferred tax liability | | |
| 16. | Unearned investment income | | |
| 17. | Amounts withheld or retained by company as agent or trustee | 45,626 | 170,411 |
| 18. | Amounts held for agents' account, including $ agents' credit balances | | |
| 19. | Remittances and items not allocated | 1,586,735 | 65,379 |
| 20. | Net adjustment in assets and liabilities due to foreign exchange rates | | |
| 21. | Liability for benefits for employees and agents if not included above | | |
| 22. | Borrowed money $ and interest thereon $ | | |
| 23. | Dividends to stockholders declared and unpaid | | |
| 24. | Miscellaneous liabilities: | | |
| | 24.01 Asset valuation reserve (AVR, Line 16, Col. 7) | 2,142,677 | 1,899,581 |
| | 24.02 Reinsurance in unauthorized and certified ($ 0 ) companies | 0 | 0 |
| | 24.03 Funds held under reinsurance treaties with unauthorized and certified ($ ) reinsurers | | |
| | 24.04 Payable to parent, subsidiaries and affiliates | 0 | 5,170,745 |
| | 24.05 Drafts outstanding | 27,862,369 | 38,419,784 |
| | 24.06 Liability for amounts held under uninsured plans | | |
| | 24.07 Funds held under coinsurance | | |
| | 24.08 Derivatives | | |
| | 24.09 Payable for securities | 2,421,604 | 7,836,090 |
| | 24.10 Payable for securities lending | | |
| | 24.11 Capital notes $ and interest thereon $ | | |
| 25. | Aggregate write-ins for liabilities | 2,229,964 | 2,714,137 |
| 26. | Total liabilities excluding Separate Accounts business (Lines 1 to 25) | 405,025,824 | 466,290,127 |
| 27. | From Separate Accounts Statement | | |
| 28. | Total liabilities (Lines 26 and 27) | 405,025,824 | 466,290,127 |
| 29. | Common capital stock | 3,262,704 | 3,262,704 |
| 30. | Preferred capital stock | | |
| 31. | Aggregate write-ins for other than special surplus funds | 0 | 0 |
| 32. | Surplus notes | 0 | |
| 33. | Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1) | 14,162,016 | 14,162,016 |
| 34. | Aggregate write-ins for special surplus funds | 50,205,501 | 17,542,105 |
| 35. | Unassigned funds (surplus) | 245,552,406 | 258,528,363 |
| 36. | Less treasury stock, at cost: | | |
| | 36.1 shares common (value included in Line 29 $ ) | | |
| | 36.2 shares preferred (value included in Line 30 $ ) | | |
| 37. | Surplus (Total Lines 31+32+33+34+35-36) (including $ in Separate Accounts Statement) | 309,919,923 | 290,232,484 |
| 38. | Totals of Lines 29, 30 and 37 (Page 4, Line 55) | 313,182,627 | 293,495,188 |
| 39. | Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3) | 718,208,451 | 759,785,315 |
| | **DETAILS OF WRITE-INS** | | |
| 2501. | Accrued Cost of Claims Savings | 343,254 | 475,444 |
| 2502. | Association Group Escrow Account | 1,213,567 | 1,556,631 |
| 2503. | Miscellaneous Liabilities | 594,561 | 607,160 |
| 2598. | Summary of remaining write-ins for Line 25 from overflow page | 78,582 | 74,902 |
| 2599. | Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) | 2,229,964 | 2,714,137 |
| 3101. | | | |
| 3102. | | | |
| 3103. | | | |
| 3198. | Summary of remaining write-ins for Line 31 from overflow page | 0 | 0 |
| 3199. | Totals (Lines 3101 thru 3103 plus 3198)(Line 31 above) | 0 | 0 |
| 3401. | Surplus Relief Related to Reinsurance | 15,742,915 | 17,542,105 |
| 3402. | Section 9010 ACA Subsequent Fee Year Assessment | 34,462,586 | 0 |
| 3403. | | | |
| 3498. | Summary of remaining write-ins for Line 34 from overflow page | 0 | 0 |
| 3499. | Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above) | 50,205,501 | 17,542,105 |

# SUMMARY OF OPERATIONS

| | | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|---|
| 1. | Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11) | 1,850,627,213 | 2,020,590,085 |
| 2. | Considerations for supplementary contracts with life contingencies | 0 | |
| 3. | Net investment income (Exhibit of Net Investment Income, Line 17) | 11,737,231 | 12,874,883 |
| 4. | Amortization of Interest Maintenance Reserve (IMR, Line 5) | 2,691,801 | 2,280,927 |
| 5. | Separate Accounts net gain from operations excluding unrealized gains or losses | 0 | |
| 6. | Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1) | 3,416,097 | 3,918,933 |
| 7. | Reserve adjustments on reinsurance ceded | 0 | |
| 8. | Miscellaneous Income: | | |
| | 8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts | 0 | |
| | 8.2 Charges and fees for deposit-type contracts | 0 | |
| | 8.3 Aggregate write-ins for miscellaneous income | 1,398,526 | (2,020,493) |
| 9. | Total (Lines 1 to 8.3) | 1,869,870,868 | 2,037,644,335 |
| 10. | Death benefits | 461,296 | 1,036,482 |
| 11. | Matured endowments (excluding guaranteed annual pure endowments) | 0 | 0 |
| 12. | Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8) | 0 | 0 |
| 13. | Disability benefits and benefits under accident and health contracts | 1,389,926,418 | 1,490,596,657 |
| 14. | Coupons, guaranteed annual pure endowments and similar benefits | 0 | |
| 15. | Surrender benefits and withdrawals for life contracts | 0 | 0 |
| 16. | Group conversions | 0 | |
| 17. | Interest and adjustments on contract or deposit-type contract funds | 0 | 0 |
| 18. | Payments on supplementary contracts with life contingencies | 0 | |
| 19. | Increase in aggregate reserves for life and accident and health contracts | (19,535,844) | 5,761,681 |
| 20. | Totals (Lines 10 to 19) | 1,370,851,870 | 1,497,394,820 |
| 21. | Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1) | 86,294,841 | 113,714,875 |
| 22. | Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1) | 0 | |
| 23. | General insurance expenses (Exhibit 2, Line 10, Cols. 1, 2, 3 and 4) | 177,577,140 | 182,382,672 |
| 24. | Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3) | 100,219,404 | 48,791,712 |
| 25. | Increase in loading on deferred and uncollected premiums | 0 | |
| 26. | Net transfers to or (from) Separate Accounts net of reinsurance | 0 | |
| 27. | Aggregate write-ins for deductions | 42,449 | 10,784 |
| 28. | Totals (Lines 20 to 27) | 1,734,985,703 | 1,842,294,863 |
| 29. | Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28) | 134,885,164 | 195,349,472 |
| 30. | Dividends to policyholders | 0 | 0 |
| 31. | Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30) | 134,885,164 | 195,349,472 |
| 32. | Federal and foreign income taxes incurred (excluding tax on capital gains) | 58,126,178 | 65,945,270 |
| 33. | Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32) | 76,758,986 | 129,404,202 |
| 34. | Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of $ 98,106 (excluding taxes of $ 692,713 transferred to the IMR) | (98,106) | (13,872) |
| 35. | Net income (Line 33 plus Line 34) | 76,660,881 | 129,390,330 |
| | **CAPITAL AND SURPLUS ACCOUNT** | | |
| 36. | Capital and surplus, December 31, prior year (Page 3, Line 38, Col. 2) | 293,495,188 | 292,292,429 |
| 37. | Net income (Line 35) | 76,660,881 | 129,390,330 |
| 38. | Change in net unrealized capital gains (losses) less capital gains tax of $ | | |
| 39. | Change in net unrealized foreign exchange capital gain (loss) | | |
| 40. | Change in net deferred income tax | (981,883) | 3,043,242 |
| 41. | Change in nonadmitted assets | 19,982,238 | (4,124,655) |
| 42. | Change in liability for reinsurance in unauthorized and certified companies | | |
| 43. | Change in reserve on account of change in valuation basis, (increase) or decrease | 0 | 0 |
| 44. | Change in asset valuation reserve | (243,096) | (306,968) |
| 45. | Change in treasury stock (Page 3, Lines 36.1 and 36.2, Col. 2 minus Col. 1) | 0 | 0 |
| 46. | Surplus (contributed to) withdrawn from Separate Accounts during period | | |
| 47. | Other changes in surplus in Separate Accounts Statement | | |
| 48. | Change in surplus notes | | |
| 49. | Cumulative effect of changes in accounting principles | | |
| 50. | Capital changes: | | |
| | 50.1 Paid in | | |
| | 50.2 Transferred from surplus (Stock Dividend) | | |
| | 50.3 Transferred to surplus | | |
| 51. | Surplus adjustment: | | |
| | 51.1 Paid in | 0 | 0 |
| | 51.2 Transferred to capital (Stock Dividend) | | |
| | 51.3 Transferred from capital | | |
| | 51.4 Change in surplus as a result of reinsurance | (1,799,190) | (1,799,191) |
| 52. | Dividends to stockholders | (75,000,000) | (125,000,000) |
| 53. | Aggregate write-ins for gains and losses in surplus | 1,068,489 | 0 |
| 54. | Net change in capital and surplus for the year (Lines 37 through 53) | 19,687,439 | 1,202,759 |
| 55. | Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38) | 313,182,627 | 293,495,188 |
| | **DETAILS OF WRITE-INS** | | |
| 08.301. | Policyholder Fees | 169,360 | 199,667 |
| 08.302. | Gain on Disposal of Fixed Asset | 948,327 | (2,283,952) |
| 08.303. | Other Income | 280,839 | 63,792 |
| 08.398. | Summary of remaining write-ins for Line 8.3 from overflow page | 0 | 0 |
| 08.399. | Totals (Lines 08.301 thru 08.303 plus 08.398)(Line 8.3 above) | 1,398,526 | (2,020,493) |
| 2701. | Fines and Penalties | 42,449 | 10,784 |
| 2702. | | | |
| 2703. | | | |
| 2798. | Summary of remaining write-ins for Line 27 from overflow page | 0 | 0 |
| 2799. | Totals (Lines 2701 thru 2703 plus 2798)(Line 27 above) | 42,449 | 10,784 |
| 5301. | Correction of Error | 1,068,489 | 0 |
| 5302. | | | |
| 5303. | | | |
| 5398. | Summary of remaining write-ins for Line 53 from overflow page | 0 | 0 |
| 5399. | Totals (Lines 5301 thru 5303 plus 5398)(Line 53 above) | 1,068,489 | 0 |

# CASH FLOW

| | | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|---|
| | **Cash from Operations** | | |
| 1. | Premiums collected net of reinsurance | 1,853,598,760 | 1,995,299,683 |
| 2. | Net investment income | 21,426,716 | 21,124,848 |
| 3. | Miscellaneous income | 1,398,526 | 263,460 |
| 4. | Total (Lines 1 through 3) | 1,876,424,002 | 2,016,687,991 |
| 5. | Benefit and loss related payments | 1,424,078,735 | 1,493,149,994 |
| 6. | Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts | 0 | 0 |
| 7. | Commissions, expenses paid and aggregate write-ins for deductions | 357,536,974 | 332,503,204 |
| 8. | Dividends paid to policyholders | 0 | 0 |
| 9. | Federal and foreign income taxes paid (recovered) net of $ 0 tax on capital gains (losses) | 40,350,813 | 78,010,145 |
| 10. | Total (Lines 5 through 9) | 1,821,966,522 | 1,903,663,343 |
| 11. | Net cash from operations (Line 4 minus Line 10) | 54,457,480 | 113,024,648 |
| | **Cash from Investments** | | |
| 12. | Proceeds from investments sold, matured or repaid: | | |
| | 12.1 Bonds | 319,425,733 | 339,009,628 |
| | 12.2 Stocks | 0 | 0 |
| | 12.3 Mortgage loans | 0 | 0 |
| | 12.4 Real estate | 0 | 0 |
| | 12.5 Other invested assets | 0 | 0 |
| | 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments | 0 | 0 |
| | 12.7 Miscellaneous proceeds | 0 | 0 |
| | 12.8 Total investment proceeds (Lines 12.1 to 12.7) | 319,425,733 | 339,009,628 |
| 13. | Cost of investments acquired (long-term only): | | |
| | 13.1 Bonds | 302,870,754 | 363,146,050 |
| | 13.2 Stocks | 0 | 0 |
| | 13.3 Mortgage loans | 0 | 0 |
| | 13.4 Real estate | 0 | 0 |
| | 13.5 Other invested assets | 0 | 0 |
| | 13.6 Miscellaneous applications | 5,414,486 | 9,637,917 |
| | 13.7 Total investments acquired (Lines 13.1 to 13.6) | 308,285,240 | 372,783,967 |
| 14. | Net increase (decrease) in contract loans and premium notes | 0 | 0 |
| 15. | Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) | 11,140,493 | (33,774,339) |
| | **Cash from Financing and Miscellaneous Sources** | | |
| 16. | Cash provided (applied): | | |
| | 16.1 Surplus notes, capital notes | 0 | 0 |
| | 16.2 Capital and paid in surplus, less treasury stock | 0 | 0 |
| | 16.3 Borrowed funds | 0 | 0 |
| | 16.4 Net deposits on deposit-type contracts and other insurance liabilities | 0 | 0 |
| | 16.5 Dividends to stockholders | 75,000,000 | 125,000,000 |
| | 16.6 Other cash provided (applied) | 1,983,685 | (13,036,828) |
| 17. | Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | (73,016,315) | (138,036,828) |
| | **RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS** | | |
| 18. | Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) | (7,418,342) | (58,786,519) |
| 19. | Cash, cash equivalents and short-term investments: | | |
| | 19.1 Beginning of year | 73,049,499 | 131,836,018 |
| | 19.2 End of year (Line 18 plus Line 19.1) | 65,631,157 | 73,049,499 |

Note: Supplemental disclosures of cash flow information for non-cash transactions:

| | | |
|---|---|---|
| | | |

# ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

| | 1 | 2 | Ordinary | | | 6 | Group | | Accident and Health | | | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 3 | 4 | 5 | | 7 | 8 | 9 | 10 | 11 | |
| | Total | Industrial Life | Life Insurance | Individual Annuities | Supplementary Contracts | Credit Life (Group and Individual) | Life Insurance (a) | Annuities | Group | Credit (Group and Individual) | Other | Aggregate of All Other Lines of Business |
| 1. Premiums and annuity considerations for life and accident and health contracts | 1,850,627,213 | 0 | 205,966 | 0 | | 0 | 1,897,717 | 0 | 1,562,647,414 | 0 | 285,876,117 | |
| 2. Considerations for supplementary contracts with life contingencies | 0 | | | | | | | | | | | |
| 3. Net investment income | 11,737,231 | | 1,336 | | | | 12,308 | | 9,910,522 | | 1,813,065 | |
| 4. Amortization of Interest Maintenance Reserve (IMR) | 2,691,801 | | 300 | | | | 2,760 | | 2,272,924 | | 415,817 | |
| 5. Separate Accounts net gain from operations excluding unrealized gains or losses | 0 | | | | | | | | | | | |
| 6. Commissions and expense allowances on reinsurance ceded | 3,416,097 | 0 | 2,479,992 | 809,108 | | 0 | 135,677 | 0 | 13,025 | 0 | (21,705) | |
| 7. Reserve adjustments on reinsurance ceded | 0 | | | | | | | | | | | |
| 8. Miscellaneous Income: | | | | | | | | | | | | |
| 8.1 Fees associated with income from investment management, administration and contract guarantees from Separate Accounts | 0 | | | | | | | | | | | |
| 8.2 Charges and fees for deposit-type contracts | 0 | | | | | | | | | | | |
| 8.3 Aggregate write-ins for miscellaneous income | 1,398,526 | 0 | 121 | 0 | 0 | 0 | 1,145 | 0 | 1,177,308 | 0 | 219,952 | 0 |
| 9. Totals (Lines 1 to 8.3) | 1,869,870,867 | 0 | 2,687,714 | 809,108 | 0 | 0 | 2,049,607 | 0 | 1,576,021,193 | 0 | 288,303,246 | 0 |
| 10. Death benefits | 461,296 | | 23,406 | | | | 437,891 | | | | | |
| 11. Matured endowments (excluding guaranteed annual pure endowments) | 0 | | | | | | | | | | | |
| 12. Annuity benefits | 0 | | | | | | | | | | | |
| 13. Disability benefits and benefits under accident and health contracts | 1,389,926,418 | | | | | | | | 1,182,504,741 | 0 | 207,421,677 | |
| 14. Coupons, guaranteed annual pure endowments and similar benefits | 0 | | | | | | | | | | | |
| 15. Surrender benefits and withdrawals for life contracts | 0 | | | | | | | | | | | |
| 16. Group conversions | 0 | | | | | | | | | | | |
| 17. Interest and adjustments on contract or deposit-type contract funds | 0 | | | | | | | | | | | |
| 18. Payments on supplementary contracts with life contingencies | 0 | | | | | | | | | | | |
| 19. Increase in aggregate reserves for life and accident and health contracts | (19,535,844) | | (3,487) | | | | (21,823) | | (13,756,026) | | (5,754,508) | |
| 20. Totals (Lines 10 to 19) | 1,370,851,870 | 0 | 19,919 | 0 | 0 | 0 | 416,067 | 0 | 1,168,748,715 | 0 | 201,667,169 | 0 |
| 21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only) | 86,294,841 | 0 | 1,418,673 | 89,430 | | 0 | 454,289 | 0 | 70,221,492 | 0 | 14,110,957 | 0 |
| 22. Commissions and expense allowances on reinsurance assumed | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 23. General insurance expenses | 177,577,140 | | 27,721 | | | | 265,411 | | 150,542,758 | 0 | 26,741,250 | |
| 24. Insurance taxes, licenses and fees, excluding federal income taxes | 100,219,404 | | 25,824 | | | | 243,317 | | 88,716,143 | | 11,234,120 | |
| 25. Increase in loading on deferred and uncollected premiums | 0 | | | | | | | | | | | |
| 26. Net transfers to or (from) Separate Accounts net of reinsurance | 0 | | | | | | | | | | | |
| 27. Aggregate write-ins for deductions | 42,449 | 0 | 0 | 0 | 0 | 0 | 2,106 | 0 | 34,196 | 0 | 6,147 | 0 |
| 28. Totals (Lines 20 to 27) | 1,734,985,703 | 0 | 1,492,136 | 89,430 | 0 | 0 | 1,381,190 | 0 | 1,478,263,304 | 0 | 253,759,643 | 0 |
| 29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28) | 134,885,164 | 0 | 1,195,578 | 719,678 | 0 | 0 | 668,417 | 0 | 97,757,890 | 0 | 34,543,602 | 0 |
| 30. Dividends to policyholders | 0 | | | | | | | | | | 0 | |
| 31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30) | 134,885,164 | 0 | 1,195,578 | 719,678 | 0 | 0 | 668,417 | 0 | 97,757,890 | 0 | 34,543,602 | 0 |
| 32. Federal income taxes incurred (excluding tax on capital gains) | 58,126,178 | | (457,617) | (31,870) | | | 190,835 | | 44,462,425 | | 13,962,405 | |
| 33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32) | 76,758,986 | 0 | 1,653,195 | 751,548 | 0 | 0 | 477,582 | 0 | 53,295,465 | 0 | 20,581,197 | 0 |
| **DETAILS OF WRITE-INS** | | | | | | | | | | | | |
| 08.301. Policyholder Fees | 169,360 | | 19 | | | | 173 | | 142,571 | | 26,597 | |
| 08.302. Gain (Loss) on Disposal of Fixed Asset | 948,327 | | 102 | | | | 972 | | 798,321 | | 148,932 | |
| 08.303. Other Income | 280,839 | | | | | | | | 236,416 | | 44,423 | |
| 08.398. Summary of remaining write-ins for Line 8.3 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above) | 1,398,526 | 0 | 121 | 0 | 0 | 0 | 1,145 | 0 | 1,177,308 | 0 | 219,952 | 0 |
| 2701. Fines and Penalties | 42,449 | | | | | | 2,106 | | 34,196 | | 6,147 | |
| 2702. | | | | | | | | | | | | |
| 2703. | | | | | | | | | | | | |
| 2798. Summary of remaining write-ins for Line 27 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above) | 42,449 | 0 | 0 | 0 | 0 | 0 | 2,106 | 0 | 34,196 | 0 | 6,147 | 0 |

(a) Includes the following amounts for FEGLI/SGLI: Line 1 , Line 10 , Line 16 , Line 23 , Line 24

ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Golden Rule Insurance Company

# ANALYSIS OF INCREASE IN RESERVES DURING THE YEAR

| | 1 | 2 | Ordinary | | | 6 | Group | |
|---|---|---|---|---|---|---|---|---|
| | | | 3 | 4 | 5 | | 7 | 8 |
| | Total | Industrial Life | Life Insurance | Individual Annuities | Supplementary Contracts | Credit Life (Group and Individual) | Life Insurance | Annuities |
| Involving Life or Disability Contingencies (Reserves) | | | | | | | | |
| (Net of Reinsurance Ceded) | | | | | | | | |
| 1. Reserve December 31, prior year | 75,941 | 0 | 6,770 | 0 | 0 | 0 | 69,171 | 0 |
| 2. Tabular net premiums or considerations | 4,051,665 | | 259,418 | | | | 3,792,247 | |
| 3. Present value of disability claims incurred | 0 | | | | XXX | | | |
| 4. Tabular interest | 64,597 | | 6,074 | | | | 58,523 | |
| 5. Tabular less actual reserve released | 0 | | | | | | | |
| 6. Increase in reserve on account of change in valuation basis | 0 | | | | | | | |
| 7. Other increases (net) | 0 | | | | | | | |
| 8. Totals (Lines 1 to 7) | 4,192,203 | 0 | 272,262 | 0 | 0 | 0 | 3,919,941 | 0 |
| 9. Tabular cost | 4,141,572 | | 268,861 | | XXX | | 3,872,711 | |
| 10. Reserves released by death | 0 | | | XXX | XXX | | | XXX |
| 11. Reserves released by other terminations (net) | 0 | | | | | | | |
| 12. Annuity, supplementary contract and disability payments involving life contingencies | 0 | | | | | | | |
| 13. Net transfers to or (from) Separate Accounts | 0 | | | | | | | |
| 14. Total Deductions (Lines 9 to 13) | 4,141,572 | 0 | 268,861 | 0 | 0 | 0 | 3,872,711 | 0 |
| 15. Reserve December 31, current year | 50,631 | 0 | 3,401 | 0 | 0 | 0 | 47,230 | 0 |

# EXHIBIT OF NET INVESTMENT INCOME

| | | 1<br>Collected During Year | 2<br>Earned During Year |
|---|---|---|---|
| 1. | U.S. Government bonds | (a) 527,122 | 542,225 |
| 1.1 | Bonds exempt from U.S. tax | (a) | |
| 1.2 | Other bonds (unaffiliated) | (a) 13,654,963 | 13,525,228 |
| 1.3 | Bonds of affiliates | (a) | |
| 2.1 | Preferred stocks (unaffiliated) | (b) | |
| 2.11 | Preferred stocks of affiliates | (b) | |
| 2.2 | Common stocks (unaffiliated) | | |
| 2.21 | Common stocks of affiliates | | |
| 3. | Mortgage loans | (c) | |
| 4. | Real estate | (d) 1,242,965 | 1,242,965 |
| 5 | Contract loans | | |
| 6 | Cash, cash equivalents and short-term investments | (e) 226,777 | 130,702 |
| 7 | Derivative instruments | (f) | |
| 8. | Other invested assets | (2,324,596) | (2,324,596) |
| 9. | Aggregate write-ins for investment income | 20 | 20 |
| 10. | Total gross investment income | 13,327,251 | 13,116,544 |
| 11. | Investment expenses | | (g) 835,751 |
| 12. | Investment taxes, licenses and fees, excluding federal income taxes | | (g) 77,626 |
| 13. | Interest expense | | (h) 34,335 |
| 14. | Depreciation on real estate and other invested assets | | (i) 431,601 |
| 15. | Aggregate write-ins for deductions from investment income | | 0 |
| 16. | Total deductions (Lines 11 through 15) | | 1,379,313 |
| 17. | Net investment income (Line 10 minus Line 16) | | 11,737,231 |
| | **DETAILS OF WRITE-INS** | | |
| 0901. | Miscellaneous Income | 20 | 20 |
| 0902. | | | |
| 0903. | | | |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 |
| 0999. | Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) | 20 | 20 |
| 1501. | | | |
| 1502. | | | |
| 1503. | | | |
| 1598. | Summary of remaining write-ins for Line 15 from overflow page | | 0 |
| 1599. | Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above) | | 0 |

(a) Includes $ 146,038 accrual of discount less $ 8,007,498 amortization of premium and less $ 895,141 paid for accrued interest on purchases.

(b) Includes $ accrual of discount less $ amortization of premium and less $ paid for accrued dividends on purchases.

(c) Includes $ accrual of discount less $ amortization of premium and less $ paid for accrued interest on purchases.

(d) Includes $ for company's occupancy of its own buildings; and excludes $ interest on encumbrances.

(e) Includes $ 7,214 accrual of discount less $ 277,635 amortization of premium and less $ 94,405 paid for accrued interest on purchases.

(f) Includes $ accrual of discount less $ amortization of premium.

(g) Includes $ investment expenses and $ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.

(h) Includes $ interest on surplus notes and $ interest on capital notes.

(i) Includes $ 431,601 depreciation on real estate and $ depreciation on other invested assets.

# EXHIBIT OF CAPITAL GAINS (LOSSES)

| | | 1<br>Realized Gain (Loss) On Sales or Maturity | 2<br>Other Realized Adjustments | 3<br>Total Realized Capital Gain (Loss) (Columns 1 + 2) | 4<br>Change in Unrealized Capital Gain (Loss) | 5<br>Change in Unrealized Foreign Exchange Capital Gain (Loss) |
|---|---|---|---|---|---|---|
| 1. | U.S. Government bonds | (137,163) | 0 | (137,163) | 0 | 0 |
| 1.1 | Bonds exempt from U.S. tax | | | 0 | | |
| 1.2 | Other bonds (unaffiliated) | 2,241,552 | (125,210) | 2,116,342 | 0 | 0 |
| 1.3 | Bonds of affiliates | 0 | 0 | 0 | 0 | 0 |
| 2.1 | Preferred stocks (unaffiliated) | 0 | 0 | 0 | 0 | 0 |
| 2.11 | Preferred stocks of affiliates | 0 | 0 | 0 | 0 | 0 |
| 2.2 | Common stocks (unaffiliated) | 0 | 0 | 0 | 0 | 0 |
| 2.21 | Common stocks of affiliates | 0 | 0 | 0 | 0 | 0 |
| 3. | Mortgage loans | | 0 | 0 | 0 | 0 |
| 4. | Real estate | | 0 | 0 | | 0 |
| 5. | Contract loans | | | 0 | | |
| 6. | Cash, cash equivalents and short-term investments | | | 0 | | |
| 7. | Derivative instruments | | | 0 | | |
| 8. | Other invested assets | 0 | 0 | 0 | 0 | 0 |
| 9. | Aggregate write-ins for capital gains (losses) | 0 | 0 | 0 | 0 | 0 |
| 10. | Total capital gains (losses) | 2,104,389 | (125,210) | 1,979,179 | 0 | 0 |
| | **DETAILS OF WRITE-INS** | | | | | |
| 0901. | | | | | | |
| 0902. | | | | | | |
| 0903. | | | | | | |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | 0 | 0 | 0 | 0 | 0 |
| 0999. | Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) | 0 | 0 | 0 | 0 | 0 |

# EXHIBIT - 1 PART 1 - PREMIUMS AND ANNUITY CONSIDERATIONS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

| | 1 | 2 | Ordinary | | 5 | Group | | Accident and Health | | | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Industrial Life | 3<br>Life Insurance | 4<br>Individual Annuities | Credit Life (Group and Individual) | 6<br>Life Insurance | 7<br>Annuities | 8<br>Group | 9<br>Credit (Group and Individual) | 10<br>Other | Aggregate of All Other Lines of Business |
| **FIRST YEAR (other than single)** | | | | | | | | | | | |
| 1. Uncollected | 3,964,583 | | 862 | 0 | 0 | 4,970 | 0 | 3,263,896 | 0 | 694,854 | |
| 2. Deferred and accrued | 0 | | | | | | | | | | |
| 3. Deferred , accrued and uncollected: | | | | | | | | | | | |
| 3.1 Direct | 3,964,583 | | 862 | 0 | 0 | 4,970 | 0 | 3,263,896 | 0 | 694,854 | |
| 3.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 3.3 Reinsurance ceded | 0 | | | | | | | | | | |
| 3.4 Net (Line 1 + Line 2) | 3,964,583 | 0 | 862 | 0 | 0 | 4,970 | 0 | 3,263,896 | 0 | 694,854 | 0 |
| 4. Advance | 3,185,049 | | 17 | 0 | 0 | 549 | 0 | 2,622,478 | 0 | 562,005 | |
| 5. Line 3.4 - Line 4 | 779,534 | 0 | 845 | 0 | 0 | 4,422 | 0 | 641,419 | 0 | 132,848 | 0 |
| 6. Collected during year: | | | | | | | | | | | |
| 6.1 Direct | 341,177,054 | | 67,518 | 0 | 0 | 559,193 | 0 | 284,060,296 | 0 | 56,490,047 | |
| 6.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 6.3 Reinsurance ceded | (26,198) | | 34 | 0 | 0 | 384 | 0 | 65 | 0 | (26,681) | |
| 6.4 Net | 341,203,252 | 0 | 67,483 | 0 | 0 | 558,810 | 0 | 284,060,231 | 0 | 56,516,729 | 0 |
| 7. Line 5 + Line 6.4 | 341,982,786 | 0 | 68,328 | 0 | 0 | 563,231 | 0 | 284,701,649 | 0 | 56,649,577 | 0 |
| 8. Prior year (uncollected + deferred and accrued - advance) | 5,072,419 | 0 | 1,442 | 0 | 0 | 13,072 | 0 | 4,347,809 | 0 | 710,096 | 0 |
| 9. First year premiums and considerations: | | | | | | | | | | | |
| 9.1 Direct | 336,884,169 | | 66,921 | 0 | 0 | 550,543 | 0 | 280,353,905 | 0 | 55,912,800 | |
| 9.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 9.3 Reinsurance ceded | (26,198) | | 34 | 0 | 0 | 384 | 0 | 65 | 0 | (26,681) | |
| 9.4 Net (Line 7 - Line 8) | 336,910,367 | 0 | 66,887 | 0 | 0 | 550,159 | 0 | 280,353,840 | 0 | 55,939,481 | 0 |
| **SINGLE** | | | | | | | | | | | |
| 10. Single premiums and considerations: | | | | | | | | | | | |
| 10.1 Direct | 795,636 | | 18,031 | 777,605 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 10.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 10.3 Reinsurance ceded | 795,636 | | 18,031 | 777,605 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 10.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **RENEWAL** | | | | | | | | | | | |
| 11. Uncollected | 12,441,738 | | 2,957 | 0 | 0 | 16,984 | 0 | 10,566,683 | 0 | 1,855,115 | |
| 12. Deferred and accrued | (37,209,995) | | 0 | 0 | 0 | 0 | 0 | (32,304,462) | 0 | (4,905,532) | |
| 13. Deferred, accrued and uncollected: | | | | | | | | | | | |
| 13.1 Direct | (24,768,257) | | 2,957 | 0 | 0 | 16,984 | 0 | (21,737,779) | 0 | (3,050,418) | |
| 13.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 13.3 Reinsurance ceded | 0 | | | | | | | | | | |
| 13.4 Net (Line 11 + Line 12) | (24,768,257) | 0 | 2,957 | 0 | 0 | 16,984 | 0 | (21,737,779) | 0 | (3,050,418) | 0 |
| 14. Advance | 15,575,393 | | 1,911 | 0 | 0 | 19,194 | 0 | 13,159,324 | 0 | 2,394,965 | |
| 15. Line 13.4 - Line 14 | (40,343,650) | 0 | 1,046 | 0 | 0 | (2,210) | 0 | (34,897,103) | 0 | (5,445,383) | 0 |
| 16. Collected during year: | | | | | | | | | | | |
| 16.1 Direct | 1,550,348,779 | | 35,575,511 | 1,666,962 | 0 | 2,094,730 | 0 | 1,278,799,154 | 0 | 232,212,422 | |
| 16.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 16.3 Reinsurance ceded | 37,953,270 | | 35,439,057 | 1,666,962 | 0 | 756,351 | 0 | 87,799 | 0 | 3,102 | |
| 16.4 Net | 1,512,395,509 | 0 | 136,455 | 0 | 0 | 1,338,379 | 0 | 1,278,711,355 | 0 | 232,209,320 | 0 |
| 17. Line 15 + Line 16.4 | 1,472,051,859 | 0 | 137,500 | 0 | 0 | 1,336,169 | 0 | 1,243,814,252 | 0 | 226,763,938 | 0 |
| 18. Prior year (uncollected + deferred and accrued - advance) | (41,664,988) | 0 | (1,579) | 0 | 0 | (11,389) | 0 | (38,479,322) | 0 | (3,172,698) | 0 |
| 19. Renewal premiums and considerations: | | | | | | | | | | | |
| 19.1 Direct | 1,551,670,117 | | 35,578,136 | 1,666,962 | 0 | 2,103,908 | 0 | 1,282,381,373 | 0 | 229,939,738 | |
| 19.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 19.3 Reinsurance ceded | 37,953,270 | | 35,439,057 | 1,666,962 | 0 | 756,351 | 0 | 87,799 | 0 | 3,102 | |
| 19.4 Net (Line 17 - Line 18) | 1,513,716,847 | 0 | 139,079 | 0 | 0 | 1,347,558 | 0 | 1,282,293,574 | 0 | 229,936,636 | 0 |
| **TOTAL** | | | | | | | | | | | |
| 20. Total premiums and annuity considerations: | | | | | | | | | | | |
| 20.1 Direct | 1,889,349,921 | 0 | 35,663,088 | 2,444,566 | 0 | 2,654,451 | 0 | 1,562,735,278 | 0 | 285,852,537 | 0 |
| 20.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20.3 Reinsurance ceded | 38,722,708 | 0 | 35,457,122 | 2,444,566 | 0 | 756,735 | 0 | 87,864 | 0 | (23,579) | 0 |
| 20.4 Net (Lines 9.4 + 10.4 + 19.4) | 1,850,627,213 | 0 | 205,966 | 0 | 0 | 1,897,717 | 0 | 1,562,647,414 | 0 | 285,876,117 | 0 |

# EXHIBIT - 1 PART 2 - DIVIDENDS AND COUPONS APPLIED, REINSURANCE COMMISSIONS AND EXPENSE ALLOWANCES AND COMMISSIONS INCURRED (Direct Business Only)

| | 1 | 2 | Ordinary | | 5 | Group | | Accident and Health | | | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 3 | 4 | | 6 | 7 | 8 | 9 | 10 | |
| | Total | Industrial Life | Life Insurance | Individual Annuities | Credit Life (Group and Individual) | Life Insurance | Annuities | Group | Credit (Group and Individual) | Other | Aggregate of All Other Lines of Business |
| **DIVIDENDS AND COUPONS APPLIED (included in Part 1)** | | | | | | | | | | | |
| 21. To pay renewal premiums | 0 | | | | | | | | | | |
| 22. All other | 0 | | | | | | | | | | |
| **REINSURANCE COMMISSIONS AND EXPENSE ALLOWANCES INCURRED** | | | | | | | | | | | |
| 23. First year (other than single): | | | | | | | | | | | |
| 23.1 Reinsurance ceded | 0 | | | | | | | | | | |
| 23.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 23.3 Net ceded less assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24. Single: | | | | | | | | | | | |
| 24.1 Reinsurance ceded | 0 | | | | | | | | | | |
| 24.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 24.3 Net ceded less assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25. Renewal: | | | | | | | | | | | |
| 25.1 Reinsurance ceded | 3,416,097 | | 2,479,992 | 809,108 | | 135,677 | | 13,025 | | (21,705) | |
| 25.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 25.3 Net ceded less assumed | 3,416,097 | 0 | 2,479,992 | 809,108 | 0 | 135,677 | 0 | 13,025 | 0 | (21,705) | 0 |
| 26. Totals: | | | | | | | | | | | |
| 26.1 Reinsurance ceded (Page 6, Line 6) | 3,416,097 | 0 | 2,479,992 | 809,108 | 0 | 135,677 | 0 | 13,025 | 0 | (21,705) | 0 |
| 26.2 Reinsurance assumed (Page 6, Line 22) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 26.3 Net ceded less assumed | 3,416,097 | 0 | 2,479,992 | 809,108 | 0 | 135,677 | 0 | 13,025 | 0 | (21,705) | 0 |
| **COMMISSIONS INCURRED (direct business only)** | | | | | | | | | | | |
| 27. First year (other than single) | 46,336,553 | | | | | | | 39,683,296 | | 6,653,257 | |
| 28. Single | 1,423,596 | | 888,551 | 80,756 | | 454,289 | | | | | |
| 29. Renewal | 38,534,692 | | 530,122 | 8,674 | | | | 30,538,196 | | 7,457,700 | |
| 30. Deposit-type contract funds | 0 | | | | | | | | | | |
| 31. Totals (to agree with Page 6, Line 21) | 86,294,841 | 0 | 1,418,673 | 89,430 | 0 | 454,289 | 0 | 70,221,492 | 0 | 14,110,957 | 0 |

# EXHIBIT 2 - GENERAL EXPENSES

| | Insurance | | | | 5 | 6 |
|---|---|---|---|---|---|---|
| | 1 | Accident and Health | | 4 | | |
| | | 2 | 3 | All Other Lines of | | |
| | Life | Cost Containment | All Other | Business | Investment | Total |
| 1. Rent | 5,591 | 344,748 | 5,233,555 | | | 5,583,894 |
| 2. Salaries and wages | 89,745 | 6,054,348 | 77,882,522 | | | 84,026,615 |
| 3.11 Contributions for benefit plans for employees | 15,075 | 1,016,965 | 13,082,132 | | | 14,114,172 |
| 3.12 Contributions for benefit plans for agents | | | | | | 0 |
| 3.21 Payments to employees under non-funded benefit plans | 419 | 28,271 | 363,672 | | | 392,362 |
| 3.22 Payments to agents under non-funded benefit plans | | | | | | 0 |
| 3.31 Other employee welfare | 369 | 24,912 | 320,472 | | | 345,753 |
| 3.32 Other agent welfare | | | | | | 0 |
| 4.1 Legal fees and expenses | 1,574 | 106,189 | 1,366,004 | | | 1,473,767 |
| 4.2 Medical examination fees | 8 | 535 | 6,879 | | | 7,422 |
| 4.3 Inspection report fees | | 27 | 350 | | | 377 |
| 4.4 Fees of public accountants and consulting actuaries | 466 | 31,440 | 404,437 | | | 436,343 |
| 4.5 Expense of investigation and settlement of policy claims | 854 | 57,610 | 282,821 | | | 341,285 |
| 5.1 Traveling expenses | 3,326 | 224,384 | 2,886,454 | | | 3,114,164 |
| 5.2 Advertising | 8,167 | 550,956 | 7,087,444 | | | 7,646,567 |
| 5.3 Postage, express, telegraph and telephone | 6,713 | 452,855 | 5,825,485 | | | 6,285,053 |
| 5.4 Printing and stationery | 1,889 | 127,441 | 1,639,390 | | | 1,768,720 |
| 5.5 Cost or depreciation of furniture and equipment | 725 | 48,882 | 628,809 | | | 678,416 |
| 5.6 Rental of equipment | 360 | 24,284 | 312,383 | | | 337,027 |
| 5.7 Cost or depreciation of EDP equipment and software | 12,173 | 821,189 | 10,563,688 | | | 11,397,050 |
| 6.1 Books and periodicals | 73 | 4,902 | 63,060 | | | 68,035 |
| 6.2 Bureau and association fees | 201 | 13,569 | 174,555 | | | 188,325 |
| 6.3 Insurance, except on real estate | 1,842 | 124,233 | 1,598,122 | | | 1,724,197 |
| 6.4 Miscellaneous losses | | | 224,454 | | | 224,454 |
| 6.5 Collection and bank service charges | 785 | 52,988 | 1,141,577 | | | 1,195,350 |
| 6.6 Sundry general expenses | 7,431 | 501,277 | 6,484,179 | | | 6,992,887 |
| 6.7 Group service and administration fees | 105,067 | | 170,185 | | | 275,252 |
| 6.8 Reimbursements by uninsured plans | | | | | | 0 |
| 7.1 Agency expense allowance | | | | | | 0 |
| 7.2 Agents' balances charged off (less $ ........ recovered) | | | | | | 0 |
| 7.3 Agency conferences other than local meetings | | | | | | 0 |
| 9.1 Real estate expenses | | | | | 443,729 | 443,729 |
| 9.2 Investment expenses not included elsewhere | | | | | 392,022 | 392,022 |
| 9.3 Aggregate write-ins for expenses | 30,280 | 6,134,852 | 22,794,520 | 0 | 0 | 28,959,652 |
| 10. General expenses incurred | 293,132 | 16,746,857 | 160,537,151 | 0 | 835,751 | (a) 178,412,891 |
| 11. General expenses unpaid December 31, prior year | | 436,704 | 10,668,387 | | 110,188 | 11,215,279 |
| 12. General expenses unpaid December 31, current year | | 243,418 | 3,194,053 | | 228,491 | 3,665,962 |
| 13. Amounts receivable relating to uninsured plans, prior year | | | | | | 0 |
| 14. Amounts receivable relating to uninsured plans, current year | | | | | | 0 |
| 15. General expenses paid during year (Lines 10+11-12-13+14) | 293,132 | 16,940,143 | 168,011,485 | 0 | 717,448 | 185,962,208 |
| **DETAILS OF WRITE-INS** | | | | | | |
| 09.301. Information Technology | 1,574 | 106,162 | 1,365,651 | | | 1,473,387 |
| 09.302. Interest | 4,383 | | 906,135 | | | 910,518 |
| 09.303. Managed Care & Network Access | 2,828 | 4,578,583 | 1,868,689 | | | 6,450,100 |
| 09.398. Summary of remaining write-ins for Line 9.3 from overflow page | 21,495 | 1,450,108 | 18,654,045 | 0 | 0 | 20,125,648 |
| 09.399. Totals (Lines 09.301 thru 09.303 plus 09.398) (Line 9.3 above) | 30,280 | 6,134,852 | 22,794,520 | 0 | 0 | 28,959,652 |

(a) Includes management fees of $ 167,528,848 to affiliates and $ 0 to non-affiliates.

# EXHIBIT 3 - TAXES, LICENSES AND FEES (EXCLUDING FEDERAL INCOME TAXES)

| | Insurance | | | 4 | 5 |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | | |
| | | | All Other Lines of | | |
| | Life | Accident and Health | Business | Investment | Total |
| 1. Real estate taxes | 458 | 401,612 | | 77,626 | 479,696 |
| 2. State insurance department licenses and fees | 232,093 | 62,401,685 | | | 62,633,778 |
| 3. State taxes on premiums | 29,314 | 27,429,062 | | | 27,458,376 |
| 4. Other state taxes, including $ ........ for employee benefits | | 3,337,994 | | | 3,337,994 |
| 5. U.S. Social Security taxes | 7,275 | 6,375,575 | | | 6,382,850 |
| 6. All other taxes | | 4,336 | | | 4,336 |
| 7. Taxes, licenses and fees incurred | 269,141 | 99,950,263 | 0 | 77,626 | 100,297,030 |
| 8. Taxes, licenses and fees unpaid December 31, prior year | | 22,255,927 | | | 22,255,927 |
| 9. Taxes, licenses and fees unpaid December 31, current year | | 43,259,095 | | | 43,259,095 |
| 10. Taxes, licenses and fees paid during year (Lines 7 + 8 - 9) | 269,141 | 78,947,095 | 0 | 77,626 | 79,293,862 |

# EXHIBIT 4 - DIVIDENDS OR REFUNDS

| | 1 | 2 |
|---|---|---|
| | Life | Accident and Health |
| 1. Applied to pay renewal premiums | | |
| 2. Applied to shorten the endowment or premium-paying period | | |
| 3. Applied to provide paid-up additions | | |
| 4. Applied to provide paid-up annuities | | |
| 5. Total Lines 1 through 4 | | |
| 6. Paid in cash | | |
| 7. Left on deposit | | |
| 8. Aggregate write-ins for dividend or refund options | | |
| 9. Total Lines 5 through 8 | | |
| 10. Amount due and unpaid | | |
| 11. Provision for dividends or refunds payable in the following calendar year | | |
| 12. Terminal dividends | | |
| 13. Provision for deferred dividend contracts | | |
| 14. Amount provisionally held for deferred dividend contracts not included in Line 13 | | |
| 15. Total Lines 10 through 14 | | |
| 16. Total from prior year | | |
| 17. Total dividends or refunds (Lines 9 + 15 - 16) | | |
| **DETAILS OF WRITE-INS** | | |
| 0801. | | |
| 0802. | | |
| 0803. | | |
| 0898. Summary of remaining write-ins for Line 8 from overflow page | | |
| 0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above) | | |

NONE

# EXHIBIT 5 - AGGREGATE RESERVE FOR LIFE CONTRACTS

| 1<br>Valuation Standard | 2<br>Total | 3<br>Industrial | 4<br>Ordinary | 5<br>Credit (Group and Individual) | 6<br>Group |
|---|---|---|---|---|---|
| 0100001. A/E CRAIG 3% IS | 1,029 | | 1,029 | | 0 |
| 0100002. A/E CRAIG 3 1/2% NL | 0 | | 0 | | 0 |
| 0100003. 41 CSO 2 1/2 % NL | 3,994 | | 3,994 | | 0 |
| 0100004. 41 CSO 3% NL | 0 | | 0 | | 0 |
| 0100005. 41 CSO 3% CRVM | 144,561 | | 144,561 | | 0 |
| 0100006. 41 CSO 3 1/2 % CRVM | 4,847 | | 4,847 | | 0 |
| 0100007. 58 CSO ALB 3% NL | 1,966 | | 1,966 | | 0 |
| 0100008. 58 CSO ALB 3% CRVM | 2,605,509 | | 2,605,509 | | 0 |
| 0100009. 58 CSO ANB 3% NL | 0 | | 0 | | 0 |
| 0100010. 58 CSO ANB 3 1/2% CRVM | 0 | | 0 | | 0 |
| 0100011. 58 CSO ALB 3 1/2% CRVM | 135,430 | | 135,430 | | 0 |
| 0100012. 58 CSO ALB 4 1/2% CRVM | 20,414,092 | | 20,414,092 | | 0 |
| 0100013. 58 CSO ALB 4 1/2% NL | 3,363 | | 3,363 | | 0 |
| 0100014. 58 CET ALB 3% NL | 228,722 | | 228,722 | | 0 |
| 0100015. 58 CET ANB 3 1/2% NL | 0 | | 0 | | 0 |
| 0100016. 58 CET ANB 3 1/2% NL | 0 | | 0 | | 0 |
| 0100017. 58 CET ALB 4 1/2% NL | 0 | | 0 | | 0 |
| 0100018. 58 CET ALB 4 1/2% NL | 0 | | 0 | | 0 |
| 0100019. 80 CSO CRVM 4.50% | 1,054,026,518 | | 1,054,026,518 | | 0 |
| 0100020. 80 CSO 4 1/2% CRVM | 7,228 | | 7,228 | | 0 |
| 0100021. 80 CSO CRVM 5.00% | 2,102,592 | | 2,102,592 | | 0 |
| 0100022. 80 CSO CRVM 5.50% | 22,934,721 | | 22,934,721 | | 0 |
| 0100023. 130% 41 CSO 3% NL | 0 | | 0 | | 0 |
| 0100024. 130% 41 CSO 3 1/2% NL | 0 | | 0 | | 0 |
| 0100025. AM MEN 3% NL | 0 | | 0 | | 0 |
| 0100026. UNEARNED PREMIUM RESERVE | 2,676,206 | | 2,676,206 | | 0 |
| 0100027. 58 CSO ANB 3 1/2% LOSS ON INT | 0 | | 0 | | 0 |
| 0100028. GROUP CONVERSIONS | 0 | | 0 | | 0 |
| 0100029. 58 CSO SUBSTANDARD LIFE | 0 | | 0 | | 0 |
| 0100030. 60 CSG 3% NL | 84,623 | | 0 | | 84,623 |
| 0100031. 58 CSO ALB 3% NL GIO | 0 | | 0 | | 0 |
| 0100032. 80 CSO CRVM 4.00% | 175,178,959 | | 175,178,959 | | 0 |
| 0199997. Totals (Gross) | 1,280,554,361 | 0 | 1,280,469,738 | 0 | 84,623 |
| 0199998. Reinsurance ceded | 1,280,503,730 | | 1,280,466,337 | | 37,394 |
| 0199999. Life Insurance: Totals (Net) | 50,631 | 0 | 3,401 | 0 | 47,229 |
| 0200001. 37 STANDARD ANNUITY | 0 | XXX | 0 | XXX | 0 |
| 0200002. 51 GA 3 1/2% PROJ SCALE C | 0 | XXX | 0 | XXX | 0 |
| 0200003. 71 GAM 6% | 80,979 | XXX | 0 | XXX | 80,979 |
| 0200004. 71 IAM 3 1/2% | 0 | XXX | 0 | XXX | 0 |
| 0200005. 71 IAM 4.50% | 23,243,699 | XXX | 23,243,699 | XXX | 0 |
| 0200006. 71 IAM 4.75% | 12,202,654 | XXX | 12,202,654 | XXX | 0 |
| 0200007. 71 IAM 5.00% | 8,766,009 | XXX | 8,766,009 | XXX | 0 |
| 0200008. 71 IAM 5.25% | 15,765,006 | XXX | 15,765,006 | XXX | 0 |
| 0200009. 71 IAM 5.50% | 31,209,462 | XXX | 31,209,462 | XXX | 0 |
| 0200010. 71 IAM 5.75% | 17,845,995 | XXX | 17,845,995 | XXX | 0 |
| 0200011. 71 IAM 6.00% | 12,532,336 | XXX | 12,532,336 | XXX | 0 |
| 0200012. 71 IAM 6.25% | 26,215,681 | XXX | 26,215,681 | XXX | 0 |
| 0200013. 71 IAM 6.50% | 7,781,369 | XXX | 7,781,369 | XXX | 0 |
| 0200014. 71 IAM 6.75% | 31,303,181 | XXX | 31,303,181 | XXX | 0 |
| 0200015. 71 IAM 7.00% | 8,500,876 | XXX | 8,500,876 | XXX | 0 |
| 0200016. 71 IAM 7.25% | 5,759,161 | XXX | 5,759,161 | XXX | 0 |
| 0200017. 71 IAM 8.00% | 4,623,375 | XXX | 4,623,375 | XXX | 0 |
| 0200018. 71 IAM 8.50% | 10,937,949 | XXX | 10,937,949 | XXX | 0 |
| 0200019. 83 IAM 5.25% | 14,762,613 | XXX | 14,762,613 | XXX | 0 |
| 0200020. 83 IAM 5.50% | 8,033,802 | XXX | 8,033,802 | XXX | 0 |
| 0200021. 83 IAM 5.75% | 15,296,426 | XXX | 15,296,426 | XXX | 0 |
| 0200022. 83 IAM 6.00% | 2,712,932 | XXX | 2,712,932 | XXX | 0 |
| 0200023. 83 IAM 6.25% | 963,106 | XXX | 963,106 | XXX | 0 |
| 0200024. A2000 4.50% | 81,163,439 | XXX | 81,163,439 | XXX | 0 |
| 0200025. A2000 4.75% | 106,128,064 | XXX | 106,128,064 | XXX | 0 |
| 0200026. A2000 5.00% | 38,009,712 | XXX | 38,009,712 | XXX | 0 |
| 0200027. A2000 5.50% | 36,090,882 | XXX | 36,090,882 | XXX | 0 |
| 0200028. UNEARNED PREMIUM RESERVE | 0 | XXX | 0 | XXX | 0 |
| 0299997. Totals (Gross) | 519,928,710 | XXX | 519,847,731 | XXX | 80,979 |
| 0299998. Reinsurance ceded | 519,928,710 | XXX | 519,847,731 | XXX | 80,979 |
| 0299999. Annuities: Totals (Net) | 0 | XXX | 0 | XXX | 0 |
| 0300001. 83 IAM 8.25% | 0 | | 0 | | |
| 0300002. 83 IAM 8.00% | 0 | | 0 | | |
| 0300003. 83 IAM 7.75% | 0 | | 0 | | |
| 0300004. 83 IAM 7.25% | 0 | | 0 | | |
| 0300005. 83 IAM 7.00% | 335,785 | | 335,785 | | |
| 0300006. 83 IAM 6.75% | 750,439 | | 750,439 | | |
| 0300007. 83 IAM 6.50% | 139,295 | | 139,295 | | |
| 0300008. 83 IAM 6.25% | 106,676 | | 106,676 | | |
| 0300009. 83 IAM 6.00% | 46,168 | | 46,168 | | |
| 0300010. 83 IAM 5.50% | 256,828 | | 256,828 | | |
| 0300011. 83 IAM 5.25% | 273,734 | | 273,734 | | |
| 0399997. Totals (Gross) | 1,908,925 | 0 | 1,908,925 | 0 | 0 |
| 0399998. Reinsurance ceded | 1,908,925 | | 1,908,925 | | |
| 0399999. SCWLC: Totals (Net) | 0 | 0 | 0 | 0 | 0 |
| 0400001. 59 ADB WITH 58 CSO 3% | 396,942 | | 396,942 | | |
| 0400002. 52 DB WITH 80 CSO 4 1/2% | 0 | | 0 | | |
| 0499997. Totals (Gross) | 396,942 | 0 | 396,942 | 0 | 0 |
| 0499998. Reinsurance ceded | 396,942 | | 396,942 | | |
| 0499999. Accidental Death Benefits: Totals (Net) | 0 | 0 | 0 | 0 | 0 |
| 0500001. 52 DB WITH 58 CSO 3% | 1,170 | | 1,170 | | |
| 0500002. 52 DB WITH 80 CSO 4 1/2% | 719,497 | | 719,497 | | |
| 0599997. Totals (Gross) | 720,667 | 0 | 720,667 | 0 | 0 |
| 0599998. Reinsurance ceded | 720,667 | | 720,667 | | |
| 0599999. Disability-Active Lives: Totals (Net) | 0 | 0 | 0 | 0 | 0 |
| 0600001. 52 DB WITH 58 CSO 3% | 294,630 | | 294,630 | | |

# EXHIBIT 5 - AGGREGATE RESERVE FOR LIFE CONTRACTS

| 1<br>Valuation Standard | 2<br>Total | 3<br>Industrial | 4<br>Ordinary | 5<br>Credit (Group and Individual) | 6<br>Group |
|---|---|---|---|---|---|
| 0600002. UNREPORTED CLAIMS | 7,961 | | 7,961 | | |
| 0600003. 52 DB w/80CSO 4.50% | 15,247,886 | | 15,247,886 | | |
| 0699997. Totals (Gross) | 15,550,476 | 0 | 15,550,476 | 0 | 0 |
| 0699998. Reinsurance ceded | 15,550,476 | | 15,550,476 | | |
| 0699999. Disability-Disabled Lives: Totals (Net) | 0 | 0 | 0 | 0 | 0 |
| 0700001. Deficiency | 1,768,079 | | 1,768,079 | | |
| 0700002. NDFP | 0 | | 0 | | |
| 0700003. IPC | 929,657 | | 929,657 | | |
| 0799997. Totals (Gross) | 2,697,736 | 0 | 2,697,736 | 0 | 0 |
| 0799998. Reinsurance ceded | 2,697,736 | | 2,697,736 | | |
| 0799999. Miscellaneous Reserves: Totals (Net) | 0 | 0 | 0 | 0 | 0 |
| 9999999. Totals (Net) - Page 3, Line 1 | 50,631 | 0 | 3,401 | 0 | 47,229 |

# EXHIBIT 5 - INTERROGATORIES

1.1 Has the reporting entity ever issued both participating and non-participating contracts? Yes [ X ] No [ ]

1.2 If not, state which kind is issued.

2.1 Does the reporting entity at present issue both participating and non-participating contracts? Yes [ ] No [ X ]

2.2 If not, state which kind is issued.

3. Does the reporting entity at present issue or have in force contracts that contain non-guaranteed elements? Yes [ X ] No [ ]
If so, attach a statement that contains the determination procedures, answers to the interrogatories and an actuarial opinion as described in the instructions.

4. Has the reporting entity any assessment or stipulated premium contracts in force? Yes [ ] No [ X ]
If so, state:
4.1 Amount of insurance? $
4.2 Amount of reserve? $
4.3 Basis of reserve:
4.4 Basis of regular assessments:
4.5 Basis of special assessments:
4.6 Assessments collected during the year $

5. If the contract loan interest rate guaranteed in any one or more of its currently issued contracts is less than 5%, not in advance, state the contract loan rate guarantees on any such contracts.

6. Does the reporting entity hold reserves for any annuity contracts that are less than the reserves that would be held on a standard basis? Yes [ ] No [ X ]
6.1 If so, state the amount of reserve on such contracts on the basis actually held: $
6.2 That would have been held (on an exact or approximate basis) using the actual ages of the annuitants; the interest rate(s) used in 6.1; and the same mortality basis used by the reporting entity for the valuation of comparable annuity benefits issued to standard lives. If the reporting entity has no comparable annuity benefits for standard lives to be valued, the mortality basis shall be the table most recently approved by the state of domicile for valuing individual annuity benefits: $
Attach statement of methods employed in their valuation.

7. Does the reporting entity have any Synthetic GIC contracts or agreements in effect as of December 31 of the current year? Yes [ ] No [ X ]
7.1 If yes, state the total dollar amount of assets covered by these contracts or agreements $
7.2 Specify the basis (fair value, amortized cost, etc.) for determining the amount:
7.3 State the amount of reserves established for this business: $
7.4 Identify where the reserves are reported in the blank:

8. Does the reporting entity have any Contingent Deferred Annuity contracts or agreements in effect as of December 31 of the current year? Yes [ ] No [ X ]
8.1 If yes, state the total dollar amount of account value covered by these contracts or agreements: $
8.2 State the amount of reserves established for this business: $
8.3 Identify where the reserves are reported in the blank:

9. Does the reporting entity have any Guaranteed Lifetime Income Benefit contracts, agreements or riders in effect as of December 31 of the current year? Yes [ ] No [ X ]
9.1 If yes, state the total dollar amount of any account value associated with these contracts, agreements or riders: $
9.2 State the amount of reserves established for this business: $
9.3 Identify where the reserves are reported in the blank:

# EXHIBIT 5A - CHANGES IN BASES OF VALUATION DURING THE YEAR

| 1 | Valuation Basis | | 4 |
|---|---|---|---|
| | 2 | 3 | Increase in Actuarial Reserve Due to Change |
| Description of Valuation Class | Changed From | Changed To | |
| NONE | | | |
| 9999999 - Total (Column 4, only) | | | |

# EXHIBIT 6 - AGGREGATE RESERVES FOR ACCIDENT AND HEALTH CONTRACTS

| | 1 | 2 | 3 | 4 | Other Individual Contracts | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | 5 | 6 | 7 | 8 | 9 |
| | Total | Group Accident and Health | Credit Accident and Health (Group and Individual) | Collectively Renewable | Non-Cancelable | Guaranteed Renewable | Non-Renewable for Stated Reasons Only | Other Accident Only | All Other |
| ACTIVE LIFE RESERVE | | | | | | | | | |
| 1. Unearned premium reserves | 69,435,443 | 58,899,858 | 0 | 38 | 0 | 1,390,714 | 0 | 892 | 9,143,941 |
| 2. Additional contract reserves (a) | 11,574,198 | 111,751 | 0 | 0 | 782,222 | 10,677,658 | 0 | 0 | 2,567 |
| 3. Additional actuarial reserves-Asset/Liability analysis | 0 | | | | | | | | |
| 4. Reserve for future contingent benefits | 0 | | | | | | | | |
| 5. Reserve for rate credits | 0 | | | | | | | | |
| 6. Aggregate write-ins for reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7. Totals (Gross) | 81,009,641 | 59,011,609 | 0 | 38 | 782,222 | 12,068,371 | 0 | 892 | 9,146,508 |
| 8. Reinsurance ceded | 787,812 | 5,091 | 0 | 0 | 782,222 | 0 | 0 | 498 | 0 |
| 9. Totals (Net) | 80,221,829 | 59,006,517 | 0 | 38 | 0 | 12,068,371 | 0 | 394 | 9,146,508 |
| CLAIM RESERVE | | | | | | | | | |
| 10. Present value of amounts not yet due on claims | 0 | | | | | | | | |
| 11. Additional actuarial reserves-Asset/Liability analysis | 0 | | | | | | | | |
| 12. Reserve for future contingent benefits | 3,900,471 | 3,396,555 | 0 | 0 | 0 | 49,255 | 0 | 0 | 454,661 |
| 13. Aggregate write-ins for reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14. Totals (Gross) | 3,900,471 | 3,396,555 | 0 | 0 | 0 | 49,255 | 0 | 0 | 454,661 |
| 15. Reinsurance ceded | 0 | | | | | | | | |
| 16. Totals (Net) | 3,900,471 | 3,396,555 | 0 | 0 | 0 | 49,255 | 0 | 0 | 454,661 |
| 17. TOTAL (Net) | 84,122,300 | 62,403,072 | 0 | 38 | 0 | 12,117,627 | 0 | 394 | 9,601,169 |
| 18. TABULAR FUND INTEREST | 537,017 | 0 | 0 | 0 | 0 | 536,917 | 0 | 0 | 100 |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 0601. | 0 | | | | | | | | |
| 0602. | | | | | | | | | |
| 0603. | | | | | | | | | |
| 0698. Summary of remaining write-ins for Line 6 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0699. TOTALS (Lines 0601 thru 0603 plus 0698) (Line 6 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1301. | 0 | | | | | | | | |
| 1302. | | | | | | | | | |
| 1303. | | | | | | | | | |
| 1398. Summary of remaining write-ins for Line 13 from overflow page | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1399. TOTALS (Lines 1301 thru 1303 plus 1398) (Line 13 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(a) Attach statement as to valuation standard used in calculating this reserve, specifying reserve bases, interest rates and methods.

# EXHIBIT 7 - DEPOSIT TYPE CONTRACTS

| | 1<br>Total | 2<br>Guaranteed Interest Contracts | 3<br>Annuities Certain | 4<br>Supplemental Contracts | 5<br>Dividend Accumulations or Refunds | 6<br>Premium and Other Deposit Funds |
|---|---|---|---|---|---|---|
| 1. Balance at the beginning of the year before reinsurance | 2,939,295 | 0 | 76,721 | 556,461 | 2,306,113 | 0 |
| 2. Deposits received during the year | 95,420 | | | | 95,420 | |
| 3. Investment earnings credited to the account | 69,289 | | 3,955 | 19,239 | 46,095 | |
| 4. Other net change in reserves | 0 | | | | | |
| 5. Fees and other charges assessed | 0 | | | | | |
| 6. Surrender charges | 0 | | | | | |
| 7. Net surrender or withdrawal payments | 316,483 | | 13,654 | 215,452 | 87,377 | |
| 8. Other net transfers to or (from) Separate Accounts | 0 | | | | | |
| 9. Balance at the end of current year before reinsurance (Lines 1+2+3+4-5-6-7-8) | 2,787,521 | 0 | 67,022 | 360,248 | 2,360,251 | 0 |
| 10. Reinsurance balance at the beginning of the year | (2,939,295) | 0 | (76,721) | (556,461) | (2,306,113) | 0 |
| 11. Net change in reinsurance assumed | 0 | | | | | |
| 12. Net change in reinsurance ceded | (151,774) | | (9,699) | (196,213) | 54,138 | |
| 13. Reinsurance balance at the end of the year (Lines 10+11-12) | (2,787,521) | 0 | (67,022) | (360,248) | (2,360,251) | 0 |
| 14. Net balance at the end of current year after reinsurance (Lines 9 + 13) | 0 | 0 | 0 | 0 | 0 | 0 |

# EXHIBIT 8 - CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

## PART 1 - Liability End of Current Year

| | 1 | 2 | Ordinary | | | 6 | Group | | Accident and Health | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 3 | 4 | 5 | | 7 | 8 | 9 | 10 | 11 |
| | Total | Industrial Life | Life Insurance | Individual Annuities | Supplementary Contracts | Credit Life (Group and Individual) | Life Insurance | Annuities | Group | Credit (Group and Individual) | Other |
| 1. Due and unpaid: | | | | | | | | | | | |
| 1.1 Direct | 0 | | | | | | | | | | |
| 1.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 1.3 Reinsurance ceded | 0 | | | | | | | | | | |
| 1.4 Net | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2. In course of settlement: | | | | | | | | | | | |
| 2.1 Resisted 2.11 Direct | 0 | | | | | | | | | | |
| 2.12 Reinsurance assumed | 0 | | | | | | | | | | |
| 2.13 Reinsurance ceded | 0 | | | | | | | | | | |
| 2.14 Net | 0 | 0 | (b) 0 | (b) 0 | 0 | (b) 0 | (b) 0 | 0 | 0 | 0 | 0 |
| 2.2 Other 2.21 Direct | 41,844,659 | | 8,427,313 | 0 | 0 | 0 | 150,000 | 0 | 28,483,348 | 0 | 4,783,998 |
| 2.22 Reinsurance assumed | 0 | | | | | | | | | | |
| 2.23 Reinsurance ceded | 8,465,561 | | 8,427,313 | 0 | 0 | 0 | 25,000 | 0 | 10,894 | 0 | 2,354 |
| 2.24 Net | 33,379,098 | 0 | (b) 0 | (b) 0 | 0 | (b) 0 | (b) 125,000 | 0 | (b) 28,472,454 | (b) 0 | (b) 4,781,644 |
| 3. Incurred but unreported: | | | | | | | | | | | |
| 3.1 Direct | 135,023,455 | | 1,487,899 | 0 | 0 | 0 | 466,172 | 0 | 113,933,392 | 0 | 19,135,991 |
| 3.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 3.3 Reinsurance ceded | 1,532,171 | | 1,367,875 | 0 | 0 | 0 | 111,303 | 0 | 43,576 | 0 | 9,417 |
| 3.4 Net | 133,491,283 | 0 | (b) 120,024 | (b) 0 | 0 | (b) 0 | (b) 354,868 | 0 | (b) 113,889,816 | (b) 0 | (b) 19,126,575 |
| 4. TOTALS 4.1 Direct | 176,868,113 | 0 | 9,915,212 | 0 | 0 | 0 | 616,172 | 0 | 142,416,740 | 0 | 23,919,989 |
| 4.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4.3 Reinsurance ceded | 9,997,732 | 0 | 9,795,188 | 0 | 0 | 0 | 136,303 | 0 | 54,470 | 0 | 11,771 |
| 4.4 Net | 166,870,381 | (a) 0 | (a) 120,024 | 0 | 0 | 0 | (a) 479,868 | 0 | 142,362,270 | 0 | 23,908,218 |

(a) Including matured endowments (but not guaranteed annual pure endowments) unpaid amounting to $ ........ in Column 2, $ ........ in Column 3 and $ ........ in Column 7.

(b) Include only portion of disability and accident and health claim liabilities applicable to assumed "accrued" benefits. Reserves (including reinsurance assumed and net of reinsurance ceded) for unaccrued benefits for Ordinary Life Insurance $ ........ Individual Annuities $ ........ , Credit Life (Group and Individual) $ ........ , and Group Life $ ........ , are included in Page 3, Line 1, (See Exhibit 5, Section on Disability Disabled Lives); and for Group Accident and Health $ 3,396,555 Credit (Group and Individual) Accident and Health $ ........ , and Other Accident and Health $ 503,916 are included in Page 3, Line 2 (See Exhibit 6, Claim Reserve).

# EXHIBIT 8 - CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS

## PART 2 - Incurred During the Year

| | 1 | 2 | Ordinary | | | 6 | Group | | Accident and Health | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Industrial Life (a) | 3 Life Insurance (b) | 4 Individual Annuities | 5 Supplementary Contracts | Credit Life (Group and Individual) | 7 Life Insurance (c) | 8 Annuities | 9 Group | 10 Credit (Group and Individual) | 11 Other |
| 1. Settlements During the Year: | | | | | | | | | | | |
| 1.1 Direct | 1,500,754,126 | | 59,676,338 | 19,418,438 | 0 | 0 | 1,365,232 | 0 | 1,207,474,032 | 0 | 212,820,086 |
| 1.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 1.3 Reinsurance ceded | 79,823,961 | | 59,661,449 | 19,418,438 | 0 | 0 | 400,000 | 0 | 75,000 | 0 | 269,074 |
| 1.4 Net | (d) 1,420,930,165 | 0 | 14,889 | 0 | 0 | 0 | 965,232 | 0 | 1,207,399,032 | 0 | 212,551,012 |
| 2. Liability December 31, current year from Part 1: | | | | | | | | | | | |
| 2.1 Direct | 176,868,113 | 0 | 9,915,212 | 0 | 0 | 0 | 616,172 | 0 | 142,416,740 | 0 | 23,919,989 |
| 2.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 2.3 Reinsurance ceded | 9,997,732 | 0 | 9,795,188 | 0 | 0 | 0 | 136,303 | 0 | 54,470 | 0 | 11,771 |
| 2.4 Net | 166,870,381 | 0 | 120,024 | 0 | 0 | 0 | 479,868 | 0 | 142,362,270 | 0 | 23,908,218 |
| 3. Amounts recoverable from reinsurers December 31, current year | 75,000 | | 0 | 0 | 0 | 0 | 75,000 | 0 | 0 | 0 | 0 |
| 4. Liability December 31, prior year: | | | | | | | | | | | |
| 4.1 Direct | 209,111,831 | 0 | 10,781,000 | 0 | 0 | 0 | 1,496,711 | 0 | 167,418,118 | 0 | 29,416,002 |
| 4.2 Reinsurance assumed | 0 | | | | | | | | | | |
| 4.3 Reinsurance ceded | 11,445,129 | 0 | 10,669,492 | 0 | 0 | 0 | 564,502 | 0 | 161,557 | 0 | 49,579 |
| 4.4 Net | 197,666,701 | 0 | 111,508 | 0 | 0 | 0 | 932,209 | 0 | 167,256,561 | 0 | 29,366,423 |
| 5. Amounts recoverable from reinsurers December 31, prior year | 328,870 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 328,870 |
| 6. Incurred Benefits | | | | | | | | | | | |
| 6.1 Direct | 1,468,510,408 | 0 | 58,810,550 | 19,418,438 | 0 | 0 | 484,692 | 0 | 1,182,472,654 | 0 | 207,324,073 |
| 6.2 Reinsurance assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6.3 Reinsurance ceded | 78,122,694 | 0 | 58,787,145 | 19,418,438 | 0 | 0 | 46,802 | 0 | (32,087) | 0 | (97,604) |
| 6.4 Net | 1,390,387,714 | 0 | 23,406 | 0 | 0 | 0 | 437,891 | 0 | 1,182,504,741 | 0 | 207,421,677 |

(a) Including matured endowments (but not guaranteed annual pure endowments) amounting to $ ........ in Line 1.1, $ ........ in Line 1.4.
$........ in Line 6.1, and $ ........ in Line 6.4.

(b) Including matured endowments (but not guaranteed annual pure endowments) amounting to $ ........ in Line 1.1, $ ........ in Line 1.4.
$........ in Line 6.1, and $ ........ in Line 6.4.

(c) Including matured endowments (but not guaranteed annual pure endowments) amounting to $ ........ in Line 1.1, $ ........ in Line 1.4.
$........ in Line 6.1, and $ ........ in Line 6.4.

(d) Includes $ ........ premiums waived under total and permanent disability benefits.

# EXHIBIT OF NON-ADMITTED ASSETS

| | | 1<br>Current Year Total Nonadmitted Assets | 2<br>Prior Year Total Nonadmitted Assets | 3<br>Change in Total Nonadmitted Assets (Col. 2 - Col. 1) |
|---|---|---|---|---|
| 1. | Bonds (Schedule D) | | | 0 |
| 2. | Stocks (Schedule D): | | | |
| | 2.1 Preferred stocks | | | 0 |
| | 2.2 Common stocks | | | 0 |
| 3. | Mortgage loans on real estate (Schedule B): | | | |
| | 3.1 First liens | | | 0 |
| | 3.2 Other than first liens | | | 0 |
| 4. | Real estate (Schedule A): | | | |
| | 4.1 Properties occupied by the company | | | 0 |
| | 4.2 Properties held for the production of income | | | 0 |
| | 4.3 Properties held for sale | | | 0 |
| 5. | Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA) | | | 0 |
| 6. | Contract loans | | | 0 |
| 7. | Derivatives (Schedule DB) | | | 0 |
| 8. | Other invested assets (Schedule BA) | | | 0 |
| 9. | Receivables for securities | | | 0 |
| 10. | Securities lending reinvested collateral assets (Schedule DL) | | | 0 |
| 11. | Aggregate write-ins for invested assets | 0 | 0 | 0 |
| 12. | Subtotals, cash and invested assets (Lines 1 to 11) | 0 | 0 | 0 |
| 13. | Title plants (for Title insurers only) | | | 0 |
| 14. | Investment income due and accrued | | | 0 |
| 15. | Premiums and considerations: | | | |
| | 15.1 Uncollected premiums and agents' balances in the course of collection | 7,335 | 7,069 | (266) |
| | 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due | | | 0 |
| | 15.3 Accrued retrospective premiums | | | 0 |
| 16. | Reinsurance: | | | |
| | 16.1 Amounts recoverable from reinsurers | | | 0 |
| | 16.2 Funds held by or deposited with reinsured companies | | | 0 |
| | 16.3 Other amounts receivable under reinsurance contracts | | | 0 |
| 17. | Amounts receivable relating to uninsured plans | | | 0 |
| 18.1 | Current federal and foreign income tax recoverable and interest thereon | | | 0 |
| 18.2 | Net deferred tax asset | 6,404,704 | 6,666,203 | 261,500 |
| 19. | Guaranty funds receivable or on deposit | | | 0 |
| 20. | Electronic data processing equipment and software | | 1,710,333 | 1,710,333 |
| 21. | Furniture and equipment, including health care delivery assets | | 1,229,959 | 1,229,959 |
| 22. | Net adjustment in assets and liabilities due to foreign exchange rates | | | 0 |
| 23. | Receivables from parent, subsidiaries and affiliates | | | 0 |
| 24. | Health care and other amounts receivable | 2,858,954 | 6,919,652 | 4,060,698 |
| 25. | Aggregate write-ins for other than invested assets | 3,887,178 | 16,607,192 | 12,720,014 |
| 26. | Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) | 13,158,171 | 33,140,408 | 19,982,238 |
| 27. | From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | 0 |
| 28. | Total (Lines 26 and 27) | 13,158,171 | 33,140,408 | 19,982,238 |
| | **DETAILS OF WRITE-INS** | | | |
| 1101. | | | | |
| 1102. | | | | |
| 1103. | | | | |
| 1198. | Summary of remaining write-ins for Line 11 from overflow page | 0 | 0 | 0 |
| 1199. | Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above) | 0 | 0 | 0 |
| 2501. | Advances & Prepaids | 3,887,178 | 12,073,846 | 8,186,668 |
| 2502. | Projects in Process | 0 | 4,533,346 | 4,533,346 |
| 2503. | | | | |
| 2598. | Summary of remaining write-ins for Line 25 from overflow page | 0 | 0 | 0 |
| 2599. | Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) | 3,887,178 | 16,607,192 | 12,720,014 |

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and Operation

Golden Rule Insurance Company (the "Company"), licensed as a life, accident, and health insurer, is domiciled in the State of Indiana. The Company is a wholly owned subsidiary of Golden Rule Financial Corporation (GRFC) and its ultimate parent company is UnitedHealth Group, Incorporated ("UnitedHealth Group"). UnitedHealth Group is a publicly held company trading on the New York Stock Exchange.

The Company was incorporated on June 17, 1959 as a life, accident, and health insurer, and operations commenced on June 23, 1961. The Company is licensed to sell life and accident and health insurance in all states except New York. The Company's accident and health revenues are primarily derived from the sale of individual major medical policies. The Company's life and annuity revenues are primarily derived from term life, whole life, single premium and flexible premium annuities, and long-term care investment products. Effective October 1, 2005, the Company entered into an indemnity reinsurance agreement to reinsure all life and annuity business, excluding group life and term life rider business.

### A. Accounting Practices

The statutory basis financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the Indiana Department of Insurance (the "Department").

The Department recognizes only statutory accounting practices, prescribed or permitted by the State of Indiana, for determining and reporting the financial condition and results of operations of a life, accident, and health insurer, for determining its solvency under Indiana Insurance Law. The state prescribes the use of the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual ("NAIC SAP") in effect for the accounting periods covered in the financial statement.

No significant differences exist between the practices prescribed or permitted by the State of Indiana and those prescribed or permitted by the NAIC SAP, which materially affect the statutory basis net income and capital and surplus, as illustrated in the table below:

| | State of Domicile | 2014 | 2013 |
|---|---|---|---|
| **Net Income** | | | |
| (1) Company state basis | Indiana | $ 76,660,881 | $ 129,390,330 |
| (2) State prescribed practices that increase/(decrease) NAIC SAP: Not applicable | Indiana | - | - |
| (3) State permitted practices that increase/(decrease) NAIC SAP: Not applicable | Indiana | - | - |
| (4) NAIC SAP (1-2-3=4) | Indiana | $ 76,660,881 | $ 129,390,330 |
| **Surplus** | | | |
| (5) Company state basis | Indiana | $ 313,182,627 | $ 293,495,188 |
| (6) State prescribed practices that increase/(decrease) NAIC SAP: Not applicable | Indiana | - | - |
| (7) State permitted practices that increase/(decrease) NAIC SAP: Not applicable | Indiana | - | - |
| (8) NAIC SAP (5-6-7=8) | Indiana | $ 313,182,627 | $ 293,495,188 |

### B. Use of Estimates in the Preparation of the Statutory Basis Financial Statements

The preparation of these statutory basis financial statements in conformity with the NAIC Annual Statement Instructions and the NAIC SAP include certain amounts that are based on the Company's estimates and judgments. These estimates require the Company to apply complex assumptions and judgments, often because the Company must make estimates about the effects of matters that are inherently uncertain and will change in subsequent periods. The most significant estimates relate to aggregate reserves for life contracts, aggregate reserves for accident and health contracts, contract claims – life, contract claims - accident and provision for experience rating refunds.  The Company adjusts these estimates each period as more current information becomes available. The impact of any changes in estimates is included in the determination of net income in the period in which the estimate is adjusted.

## C. Accounting Policy

**Basis of Presentation** — The Company prepares its statutory basis financial statements on the basis of accounting practices prescribed or permitted by the Department. These statutory practices differ from accounting principles generally accepted in the United States of America ("GAAP").

Accounting policy disclosures that are required by the NAIC Annual Statement instructions are as follows:

**(1–2)** Bonds and short-term investments are stated at amortized cost if they meet NAIC designation of one through five and stated at the lower of amortized cost or fair value if they meet an NAIC designation of six. Amortization of bond premium or accretion of discount is calculated using the constant-yield interest method. Bonds and short-term investments are valued and reported using market prices published by the Securities Valuation Office of the NAIC ("SVO") in accordance with the NAIC Valuations of Securities manual prepared by the SVO or an external pricing service;

**(3–4)** The Company holds no common or preferred stock;

**(5)** The Company holds no mortgage loans on real estate;

**(6)** U.S. government and agency securities and corporate debt securities include mortgage-backed securities, which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the amortized cost of mortgage-backed securities are based on a three-month constant prepayment rate history obtained from external data source vendors. The Company's investment policy limits investments in non-agency residential mortgage-backed securities, including home equity and sub-prime mortgages, to 10% of total cash and invested assets and total investments in mortgage-backed securities to 30% of total cash and invested assets;

**(7)** The Company holds no investments in subsidiaries, controlled, or affiliated entities;

**(8)** The Company has no investment interests with respect to joint ventures, partnerships or limited liability companies other than the investment in low-income housing tax credits (See Note 5G);

**(9)** The Company holds no derivatives;

**(10)** Premium deficiency reserves and the related expenses are recognized when it is probable that expected future health care expenses, claim adjustment expenses ("CAE"), direct administration costs, and an allocation of indirect administration costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts, and are recorded as aggregate health policy reserves in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Indirect administration costs arise from activities that are not specifically identifiable to a specific group of existing contracts, and, therefore, those costs are fully allocated among the various contract groupings. The allocation of indirect administration costs to each contract grouping is made proportionately to the expected margins remaining in the premiums after future health care expenses, CAE, and direct administration costs are considered. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected as an increase in aggregate reserves for life and accident and health contracts in the statutory basis statements of operations in the period in which the change in estimate is identified. The Company anticipates investment income as a factor in the premium deficiency calculation (see Note 30);

**(11)** Claims adjustment expenses are those costs expected to be incurred in connection with the adjustment and recording of accident and health claims. Pursuant to the terms of the management agreement (see Note 10), the Company pays a management fee to United HealthCare Services, Inc. (UHS) in exchange for administrative and management services. A detailed review of the administrative expenses of the Company and UHS is performed to determine the allocation between CAE and general insurance expenses. It is the responsibility of UHS to pay CAE in the event the Company ceases operations. The Company has recorded an estimate of unpaid claims adjustment expenses associated with incurred but unpaid claims, which is included in general expenses due or accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Management believes the amount of the liability for unpaid claims adjustment expenses as of December 31, 2014, is a best estimate for the Company's cost for the adjustment and recording of unpaid claims; however, actual expenses may differ from those established estimates. Adjustments to the estimates for unpaid claims adjustment expenses are reflected in operating results in the period in which the change in estimate is identified;

**(12)** Maintenance and repairs that do not improve or extend the life of the respective assets are expensed in the period incurred and included in general insurance expenses in the statutory basis statements of operations. The Company has not modified its capitalization policy from the prior period.

**Properties Occupied by the Company, Properties Held for the Production of Income, Properties Held for Sale, Furniture and Equipment, and Electronic Data Processing Equipment and Software —**

The Company has no properties held for the production of income or properties held for sale.

The amounts reported for properties occupied by the Company, net of encumbrances, electronic data processing (EDP) equipment and software and furniture and equipment are stated at cost less accumulated depreciation. The Company provides for depreciation using the straight-line method over the estimated useful lives of the assets, which is 39 years for properties occupied by the Company, excluding land, 5-35 years for improvements, 5-7 years for furniture and equipment and 3 years for EDP equipment.

The aggregate admitted value of the Company's EDP equipment is limited to 3% of adjusted capital and surplus. Internally developed software is depreciated using the straight-line method over five years and is recorded as a nonadmitted asset in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Systems software is amortized over three years and applications software is expensed when acquired.

Depreciation expense of $431,601 and $3,969,193 is included in the statutory basis statements of operations for the years ended December 31, 2014 and 2013, respectively.

The components of properties occupied by the Company, furniture and equipment, and EDP equipment and software at December 31, 2014 and 2013, are as follows:

| | 2014 | 2013 |
|---|---|---|
| **Properties Occupied by the Company** | | |
| Land, buildings, and improvements | $ 7,937,483 | $ 7,937,483 |
| Less accumulated depreciation | (4,746,884) | (4,315,283) |
| Gross properties occupied by the Company | 3,190,599 | 3,622,200 |
| Less nonadmitted land, buildings, and improvements | - | - |
| Net admitted properties occupied by the Company | $ 3,190,599 | $ 3,622,200 |
| **Furniture and Equipment** | | |
| Furniture and equipment | $ - | $ 4,272,148 |
| Less accumulated depreciation | - | (3,042,189) |
| Gross furniture and equipment | - | 1,229,959 |
| Less nonadmitted furniture and equipment | - | 1,229,959 |
| Net admitted furniture and equipment | $ - | $ - |
| **Electronic Data Processing Equipment and Software** | | |
| Electronic data processing equipment and software | $ - | $ 8,927,157 |
| Less accumulated depreciation | - | (4,872,444) |
| Gross electronic data processing equipment and software | - | 4,054,713 |
| Less nonadmitted electronic data processing equipment and software | - | 1,710,333 |
| Net admitted electronic data processing equipment and software | $ - | $ 2,344,380 |

**(13)** Health care receivables consist of pharmacy rebates receivable estimated based on the most currently available data from the Company's claims processing systems and from data provided by the Company's unaffiliated pharmaceutical benefit manager and affiliated pharmaceutical benefit manager, OptumRx, Inc. ("OptumRx"). Health care receivables are considered nonadmitted assets for statutory purposes if they do not meet admissibility requirements. Accordingly, the Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus (see Note 28).

The Company has also deemed the following to be significant accounting policies and differences between statutory practices and GAAP:

**ASSETS**

***Cash and Invested Assets***

- Bonds include U.S. government and agency securities, state and agency municipalities, city and county municipalities, corporate debt securities and money-market funds with a maturity of greater than one year at the time of purchase;

- Certain debt investments categorized as available for sale or held to maturity are presented at the lower of amortized cost or fair value in accordance with the NAIC designations in the statutory basis financial statements, whereas under GAAP, these investments are shown at fair value or amortized cost, respectively;

- Cash, cash equivalents, and short-term investments in the statutory basis financial statements represent cash balances and investments with original maturities of one year or less from the time of acquisition, whereas under GAAP, the corresponding caption of cash, cash equivalents, and short-term investments includes cash balances and investments that will mature in one year or less from the balance sheet date;

- Cash represents cash held by the Company in disbursement accounts and operating accounts and certificates of deposit with a maturity date of less than one year from acquisition. Claims and other payments are made from the disbursement accounts daily. Cash overdrafts are a result of timing differences in funding disbursement accounts for claims payments;

- Outstanding checks are required to be netted against cash balances or presented as cash overdrafts if in excess of cash balances in the statutory basis statements of admitted assets, liabilities, and capital and surplus as opposed to being presented as other liabilities under GAAP;

- Cash equivalents represent U.S. treasury bills. Cash equivalents have original maturity dates of three months or less from the date of acquisition and are reported at cost or amortized cost depending on the nature of the underlying security, which approximates fair value;

- Short-term investments represent money market funds, corporate debt securities, U.S. government and agency securities, state and state agency municipalities, and city and council municipalities with a maturity of greater than three months, but less than one year at the time of purchase. Short-term investments also consist of the Company’s share of an investment pool sponsored and administered by UHS. The investment pool consists principally of investments with original maturities of less than one year, with the average life of the individual investments being less than 60 days. The Company’s share of the pool represents an undivided ownership interest in the pool and is immediately convertible to cash at no cost or penalty. The participants within the pool have an individual fund number to track those investments owned by the Company. In addition, the Company is listed as a participant in the executed custodial agreement between UHS and the custodian whereby the Company’s share in the investment pool is segregated and separately maintained. The pool is primarily invested in government obligations, commercial paper, certificates of deposit, and short-term agency notes and is recorded at cost or amortized cost. Interest income from the pool accrues daily to participating members based upon ownership percentage;

- Other invested assets represent the Company’s share of an investment in guaranteed federal low-income housing tax credits.

- Realized capital gains and losses on sales of investment securities are calculated based upon specific identification of the investments sold. These gains and losses, except for those transferred to the interest maintenance reserve (IMR), are reported as net realized capital gains (excluding gains (losses) transferred to the IMR) less capital gains tax in the statutory basis statements of operations. Transfers to the IMR are net of federal income taxes;

- The Company continually monitors the difference between amortized cost and estimated fair value of its investments. If any of the Company’s investments experience a decline in value that the Company has determined is other-than-temporary, or if the Company has determined it will sell a security that is in an impaired status, the Company will record a realized loss in net realized capital gains (excluding gains (losses) transferred to the IMR) less capital gains tax in the statutory basis statements of operations. The new cost basis is not changed for subsequent recoveries in fair value. The prospective adjustment method is utilized for mortgage-backed securities for periods subsequent to the loss recognition. The Company recognized other-than-temporary impairments of $125,210 and $614 for the years ended December 31, 2014 and 2013, respectively;

- The statutory basis statements of cash flows reconcile cash, cash equivalents, and short-term investments with original maturities of one year or less from the time of acquisition; whereas under GAAP, cash flows reconcile the corresponding captions of cash and cash equivalents with maturities of three months or less. Short-term investments with a final maturity of one year or less from the balance sheet date are not included in the reconciliation of GAAP cash flows. The statutory basis statements of cash flows are prepared in accordance with the NAIC Annual Statement Instructions.

- **Other Invested Assets —** Other invested assets include low-income housing tax credit investments which are stated at amortized cost, which approximates fair value in the statutory basis statements of admitted assets, liabilities and capital and surplus.

- **Receivables for Securities —** The Company reports receivables for securities when investments are sold at the end of an accounting period and proceeds are received in the following month in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Any receivables for securities not received within 15 days from the settlement date are nonadmitted.

***Other Assets***

- **Investment Income Due and Accrued** — Investment income earned and due as of the reporting date in addition to investment income earned but not paid or collected until subsequent periods are reported as investment income due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company evaluates the collectability of the amounts due and amounts determined to be uncollectible are written off in the period in which the determination is made.

- **Uncollected Premiums —** The Company reports uncollected premium balances from its insured members as uncollected premium balances in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Uncollected premium balances that are over 90 days past due are considered nonadmitted assets. In addition to those balances, current balances are also considered nonadmitted if the corresponding balance greater than 90 days past due is deemed more than inconsequential.

- **Net Deferred Tax Asset** — Statutory accounting provides for an amount to be recorded for deferred taxes on temporary differences between the financial reporting and tax bases of assets and liabilities, subject to a valuation allowance and admissibility limitations on deferred tax assets (see Note 9). In addition, under statutory accounting, the change in deferred tax assets and liabilities is recorded directly to unassigned surplus and deferred tax assets are subject to a valuation allowance and admissibility limitations of the assets in the statutory basis financial statements, whereas under GAAP, the change in deferred tax assets and liabilities is recorded as a component of the income tax provision within the income statement and is based on the ultimate recoverability of the deferred tax assets. Based on the admissibility criteria under statutory accounting, any deferred tax assets determined to be nonadmitted are charged directly to surplus and excluded from the statutory basis financial statements, whereas under GAAP, such assets are included in the balance sheets.

- **Receivables from Parent, Subsidiaries, and Affiliates, Net —** In the normal course of business, the Company has various transactions with related parties (see Note 10). The Company reports any unsettled amounts due as receivables from parent, subsidiaries, and affiliates, net, in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

**LIABILITIES**

- **Aggregate Reserves and Contract Claims for Life and Accident and Health Contracts** — The reserves for disability, accidental death, and life insurance are developed by actuarial methods and are determined based on published tables, using interest rates less than or equal to statutorily prescribed interest rates, and valuation methods that will provide, in the aggregate, reserves that are greater than or equal to the minimum or guaranteed cash values or the amounts required by the Department. Tabular interest, tabular less actual reserve released, tabular cost, and tabular interest on funds not involving life contingencies are determined by a formula as prescribed by the NAIC. Contract claims reserves include claims processed but not yet paid, estimates for claims received but not yet processed, and estimates for the costs of health care services enrollees have received, but for which claims have not yet been submitted.

  The estimates for aggregate reserves and incurred but not reported contract claims are developed using actuarial methods based upon historical data for payment patterns, cost trends, customer and product mix, seasonality, utilization of health care services, contracted service rates, and other relevant factors. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. The Company did not change actuarial methods during the years ended December 31, 2014 and 2013. Adjustments to estimates for aggregate reserves for life and accident and health contracts are reflected in operating results in the period in which the change in estimate is identified.

  Aggregate reserves are based on mortality and interest assumptions prescribed or permitted by state statutes without consideration of withdrawals. Statutory reserves may differ from reserves based on the Company’s estimates of mortality, interest, and withdrawals; receivables on unpaid claims for coinsurance contracts are netted against contract claims for life and accident and health in the statutory basis statements of admitted assets, liabilities, and capital and surplus, whereas under GAAP, the receivables would be presented as assets.

The reserves ceded to reinsurers for aggregate reserves for life contracts, aggregate reserves for accident and health contracts, and contract claims for life and accident and health have been reported as reductions of the related reserves rather than as assets, which would be required under GAAP.

- **Unearned Premium** — The unexpired portion of accident and health insurance premiums received is recorded as unearned premium; the corresponding change in unearned premium from year to year is a component of the (decrease) increase in aggregate reserves for life and accident and health contracts in the statutory basis statements of operations. Under GAAP, the change in unearned premium from year to year on the accident and health insurance premiums are reported through premium income.

- **Liability for Deposit-Type Contracts** — Consideration for annuities and other deposit-type contracts that do not involve any mortality or morbidity risks are recorded as deposits to reserves and contract liabilities in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Revenues for these contracts include fees charged to policyholders and investment income in the statutory basis statements of operations.

- **Provision for Experience Rating Refunds** — The Company establishes a liability, net of ceded reinsurance, for estimated premium refunds on experience rated contracts based on actuarial methods and assumptions and minimum loss ratio requirements. The liability also includes the estimated rebate on the commercial health products effective for 2014, for which the medical loss ratios on fully insured products, as calculated under the definitions in the Patient Protection and Affordable Care Act and its related reconciliation act, the Health Care and Education Reconciliation Act of 2010 (collectively known as the "Health Reform Legislation") (see Note 14) and implementing regulations, fall below certain targets. The Company is required to rebate the ratable portions of the premiums annually. Estimated accrued retrospective premiums due from the Company are recorded in provision for experience rating refunds on the statutory basis statements of admitted assets, liabilities, and capital and surplus and as premiums for life and accident and health contracts — net in the statutory basis statements of operations (see Note 24).

- **Interest Maintenance Reserve and Asset Valuation Reserve** — The Company maintains an asset valuation reserve (AVR) and an interest maintenance reserve (IMR). The AVR is designed to address the default and equity risk on the majority of the Company's invested assets. The principal function of the AVR is to reserve for credit losses on fixed-income securities carried at amortized values and for fluctuation in statutory capital and surplus resulting from realized gains and losses and changes in unrealized gains and losses. The IMR is designed to defer recognition of realized capital gains and losses, due to interest rate changes on fixed-income investments, and to amortize those gains and losses into future investment income over the remaining life of the investments sold. To the extent the deferral of capital losses results in a net asset, such amount will be nonadmitted and excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

  The IMR is determined based on a formula prescribed by the NAIC whereby the Company defers the portion of realized capital gains and losses on sales of fixed-income investments, principally bonds, attributable to changes in the general level of interest rates and amortizes these deferrals over the remaining period to maturity based on groupings of individual securities sold in five year bands, rather than recognize the realized gains and losses currently. Further, the AVR is determined by the NAIC-prescribed formulas and is reported as a liability rather than as a valuation allowance or appropriation of unassigned surplus in the statutory basis financial statements. Under GAAP, realized capital gains and losses are reported in the statements of operations on a pretax basis in the period that the asset giving rise to the gain or loss is sold and calculation of allowances are provided where there has been a decline in value deemed other-than-temporary, in which case, the provision for such decline is charged to earnings;

- **Commissions to Agents Due or Accrued** — Commissions to agents due or accrued represent obligations to external brokers and agents at December 31.

- **Drafts Outstanding** — Drafts outstanding represent a legal offer to settle outstanding claims with the claimant.

- **Taxes, Licenses, and Fees Due or Accrued (excluding federal income taxes)** — Taxes, licenses and fees that are due as of the reporting date in addition to taxes, licenses, and fees that have been incurred but are not due until a subsequent period are reported as taxes, licenses, and fees due or accrued (excluding federal income taxes) in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Taxes, licenses, and fees excluding federal income taxes) also include the unpaid portion of the contributions required under the Affordable Care Act risk adjustment, and reinsurance programs (see Note 24).

- **Remittances and Items Not Allocated** — Remittances and items not allocated generally represent monies received from policyholders for monthly premium billings or providers that have not been specifically identified or applied prior to year-end. The majority is from monies received in the lockbox account on the last day of the year.

- **Payable to Parent, Subsidiaries, and Affiliates, Net —** In the normal course of business, the Company has various transactions with related parties (see Note 10). The Company reports any unsettled amounts owed as amounts payable to parent, subsidiaries, and affiliates, net, respectively, in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

- **Payable for Securities —** The Company reports payable for securities when investments are traded at the end of an accounting period and the settlement does not occur until the following month in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

**CAPITAL AND SURPLUS AND MINIMUM STATUTORY REQUIREMENTS**

- **Nonadmitted Assets —** Certain assets, including certain aged premium receivables, certain health care receivables, certain fixed assets, certain deferred tax assets, agent advances, and prepaid expenses are considered nonadmitted assets for statutory purposes and are excluded from the statutory basis statements of admitted assets, liabilities, and capital and surplus and charged directly to unassigned surplus . Under GAAP, such assets are included in the balance sheets.

- **Restricted Cash Reserves** — The Company held regulatory deposits in the amount of $4,282,941 and $4,347,595 as of December 31, 2014 and 2013, respectively, in compliance with the various states requirements for qualification purposes as a domestic insurer and foreign insurer. These restricted cash reserves consist principally of government obligations and are stated at amortized cost, which approximates fair value. These reserves are included in bonds and short-term investments in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Interest earned on these deposits accrues to the Company.

- **Minimum Capital and Surplus** — Under the laws of the State of Indiana, the Department requires the Company to maintain a minimum capital and surplus equal to $450,000. The Company has $313,182,627 and $293,495,188 in total statutory basis capital and surplus as of December 31, 2014 and 2013, respectively, which is in compliance with the required amount.

- **Risk-based capital** — Risk-based capital (RBC) is a regulatory tool for measuring the minimum amount of capital appropriate for a life, accident and health organization to support its overall business operations in consideration of its size and risk profile. The Department requires the Company to maintain minimum capital and surplus equal to the greater of the state statute as outlined above or the company action level as calculated by the RBC formula or the level needed to avoid action pursuant to the trend test in the RBC formula. The Company is in compliance with the required amount.

- **Aggregate Write-Ins for Special Surplus Funds** — The Company is subject to an annual fee under section 9010 of the ACA. A health insurance entity's annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2014. Under statutory accounting, the entire amount of the estimated annual fee expense is recognized on January 1 of the fee year in insurance taxes, licenses and fees, excluding federal income taxes in the statutory basis statements of operations, whereas under GAAP, a deferred asset is created on January 1 of the fee year which is amortized to expense on a straight-line basis. In addition, under statutory accounting, an amount equal to the estimated subsequent year fee must be apportioned out of unassigned surplus and reported as section 9010 ACA subsequent fee year assessment, whereas under GAAP, no such special surplus designation is required.

**STATEMENTS OF OPERATIONS**

- **Premiums for Life and Accident and Health Contracts — Net** — Premiums for life and accident and health contracts — net are recognized in the period in which enrollees are entitled to receive services and are shown net of reinsurance premiums paid and incurred in the statutory basis statements of operations. Premiums received during the current period which are not due until future periods are recorded as premiums for life and accident and health contracts received in advance in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Unearned premiums are established for the portion of premiums written during the current period that are partially unearned at the end of the period and are included in aggregate reserves for life and accident and health contracts in the statutory basis statements of admitted assets, liabilities, and capital and surplus. The change in unearned premium from year to year is a component of the (decrease) increase in aggregate reserves for life and accident and health contracts in the statutory basis statements of operations.

  Commercial health plans with medical loss ratios on fully insured products, as calculated under the definitions in the Health Reform Legislation (see Note 14) and implementing regulations, that fall below certain targets are required to rebate ratable portions of premiums annually. The Company classifies its estimated rebates as premiums for life and accident and health contracts — net in the statutory basis statements of operations.

Premium receipts and benefits on universal life-type contracts are recorded as premiums for life and accident and health contracts and death benefits for statutory reporting purposes. Under GAAP, revenues on universal life-type contracts are comprised of contract charges and fees, which are recognized when assessed against the policyholder account balance. Additionally, premium receipts on universal life-type contracts are considered deposits and are recorded as interest-bearing liabilities, while benefits are recognized as expenses in excess of the policyholder account balance;

- **Net Investment Income** — Net investment income includes investment income collected during the period, as well as the change in investment income due and accrued on the Company's holdings. Amortization of premium or discount on bonds and certain external investment management costs are also included in net investment income (see Note 7).

- **Miscellaneous Income (expense)** — Miscellaneous income (expense) consists primarily of fees received for the administration of health contracts. The prior year also includes a write-off of certain EDP equipment and software.

- **Commissions on Premiums** — Commissions on premiums represent commission expense for external brokers and agents. Expense is recorded when incurred based upon the contract period.

- **Insurance Taxes, Licenses and Fees, Excluding Federal Income Taxes** — The Company is subject to an annual fee under section 9010 of the ACA. A health insurance entity's annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2014. Under statutory accounting, the entire amount of the estimated annual fee expense is recognized on January 1 of the fee year in insurance taxes, licenses and fees, excluding federal income taxes in the statutory basis statements of operations, whereas under GAAP, a deferred asset is created on January 1 of the fee year which is amortized to expense on a straight-line basis.

- **Federal Income Taxes Incurred** — The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 35% to net income after capital gains and before all other federal income taxes primarily as a result of the new annual health insurer fee under section 9010 of the ACA that requires the Company to expense 100% of the estimated annual fee on January 1, 2014 which is nondeductible for tax purposes.

- **Comprehensive Income** — Comprehensive income and its components are not separately presented in the statutory basis financial statements, whereas under GAAP, it is a requirement to present comprehensive income and its components in the financial statements.

**REINSURANCE**

- **Reinsurance Ceded** — The Company accounts for all reinsurance agreements as transfers of risk. Premiums for policies reinsured with other companies have been reported as a reduction of premiums for life and accident and health contracts — net in the accompanying statutory basis statements of operations and amounts applicable to reinsurance ceded for policy reserves and claim liabilities have been reported as reductions of these items. If companies to which reinsurance has been ceded are unable to meet obligations under the reinsurance agreements, the Company would remain liable.

- **Recoverable from Reinsurers —** Amounts recoverable from reinsurers represents amounts contractually due to the Company as a participant in the Ohio Health Reinsurance Program. The Company is required to participate in the pool because of its direct business written in the state of Ohio. Amounts recoverable from reinsurers also include a receivable from The State Life Insurance Company for premium taxes due on the life and annuity business ceded under a 100% indemnity reinsurance contract (see Note 23).

**OTHER**

- **Vulnerability Due to Certain Concentrations** — The Company is subject to substantial federal and state government regulation, including licensing and other requirements relating to the offering of the Company's existing products in new markets and offerings of new products, both of which may restrict the Company's ability to expand its business. The Company believes it has mitigated exposure from concentrations through the diversity of its distribution channels. While the product distribution and distribution channels are diversified, the Company may have some exposure due to geographic concentrations of individual health business. The Company's three largest states by premium collected are Florida, Texas and Arizona with 31% and 31% of the accident and health premium in 2014 and 2013, respectively. As with all lines of business, this business is subject to normal claims fluctuations and environmental issues.

**Recently Issued Accounting Standards** — In June 2014, the NAIC adopted Statement of Statutory Accounting Principles ("SSAP") No. 106, *Affordable Care Acts Assessments*, effective January 1, 2014.

The new standard incorporates guidance previously included in SSAP No. 35R, *Guaranty Fund and Other Assessments* for the accounting and disclosure requirements of the ACA Section 9010 assessment. The Company adopted SSAP No. 106 in 2014 and the impact is disclosed in Note 22.

**2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS**

No changes in accounting principles have been recorded during the years ended December 31, 2014 and 2013.

During 2014, the Company determined that it had overstated taxes, licenses and fees due or accrued and insurance taxes, licenses and fees by approximately $1,645,782 related to the handling of a state tax credit for the year ended December 31, 2013. In addition, federal income taxes incurred as a result of this error were understated by $576,024 for the year ended December 31, 2013. Had the above adjustments been recorded to the 2013 statutory basis financial statements, the impact (increase/(decrease)) to net income, total capital and surplus, total assets and total liabilities would have been of $1,069,758, $1,069,758, $-0-, and $(1,069,758), respectively. Due to the significance of the error, the cumulative effect of this prior year error was corrected by the Company in accordance with SSAP No. 3, *Accounting Changes and Corrections of Errors,* and is reflected in the statutory basis statements of changes in capital and surplus as a correction of an error in surplus for the year ended December 31, 2014.

**3. BUSINESS COMBINATIONS AND GOODWILL**

**A–D.** The Company was not party to a business combination during the years ended December 31, 2014 and 2013, and does not carry goodwill in its statutory basis statements of admitted assets, liabilities, and capital and surplus.

**4. DISCONTINUED OPERATIONS**

**(1–5)** The Company did not discontinue any operations during 2014 and 2013.

**5. INVESTMENTS AND OTHER INVESTED ASSETS**

For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. The gross realized gains and losses on sales of long-term investments were $3,541,323 and $1,436,933, respectively, for 2014 and $4,899,325 and $154,620, respectively, for 2013. The gross realized gains and losses on sales of short-term investments were $0 and $0, respectively, for 2014 and $22,547 and $0, respectively, for 2013. The net realized gain is included in net realized capital gains (excluding gains (losses) transferred to the IMR) less capital gains tax in the statutory basis statements of operations. Total proceeds on the sale of long-term investments were $234,581,957 and $189,099,380 and for short-term investments were $1,476,850,588 and $1,502,275,351 in 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the amortized cost, fair value, and gross unrealized holding gains and losses of the Company's investments, excluding cash and cash equivalents of $(2,272,914) and $46,443,867, respectively, are as follows:

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses < 1 year | Gross Unrealized Holding Losses > 1 year | Fair Value |
| U.S. government and agency securities | $ 90,867,711 | $ 2,157,677 | $ (8,924) | $ (86,426) | $ 92,930,038 |
| State and agency municipalities | 133,752,363 | 2,740,978 | (17,665) | (1,183) | 136,474,493 |
| City and county municipalities | 131,430,603 | 4,714,892 | (87,621) | - | 136,057,874 |
| Corporate debt securities (includes commercial paper) | 231,859,885 | 1,811,090 | (684,862) | (125,252) | 232,860,861 |
| Money-market funds | 50,596,401 | - | - | - | 50,596,401 |
| Other invested assets | 19,682,374 | - | - | - | 19,682,374 |
| Total bonds and short-term investments | $658,189,337 | $11,424,637 | $ (799,072) | $ (212,861) | $668,602,041 |

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses < 1 year | Gross Unrealized Holding Losses > 1 year | Fair Value |
| Less than one year | $117,110,198 | $ 226,508 | $ (31,393) | $ - | $117,305,313 |
| One to five years | 247,874,998 | 4,507,509 | (350,664) | - | 252,031,843 |
| Five to ten years | 211,513,206 | 5,291,511 | (392,669) | (69,619) | 216,342,429 |
| Over ten years | 81,690,935 | 1,399,109 | (24,346) | (143,242) | 82,922,456 |
| Total bonds and short-term investments | $658,189,337 | $11,424,637 | $ (799,072) | $ (212,861) | $668,602,041 |

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses < 1 year | Gross Unrealized Holding Losses > 1 year | Fair Value |
| U.S. government and agency securities | $ 116,600,856 | $ 1,644,222 | $ (1,940,958) | $ (143,988) | $ 116,160,132 |
| State and agency municipalities | 122,452,732 | 3,063,650 | (552,755) | - | 124,963,627 |
| City and county municipalities | 157,928,938 | 2,647,232 | (1,601,442) | (135,108) | 158,839,620 |
| Corporate debt securities (includes commercial paper) | 215,927,378 | 3,547,758 | (1,477,387) | (983) | 217,996,766 |
| Money-market funds | 6,735,879 | - | - | - | 6,735,879 |
| Other invested assets | 22,006,970 | 168,491 | - | - | 22,175,461 |
| Total bonds and short-term investments | $ 641,652,753 | $ 11,071,353 | $ (5,572,542) | $ (280,079) | $ 646,871,485 |

Included in U.S. government and agency securities and corporate debt securities in the tables above are mortgage-backed securities, which do not have a single maturity date. For the years to maturity table above, these securities have been presented in the maturity group based on the securities' final maturity date and at an amortized cost of $82,636,399 and fair value of $83,701,035.

The following table illustrates the fair value and gross unrealized holding losses, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of December 31, 2014 and 2013:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | < 1 year | | > 1 year | | Total | |
| | Fair Value | Gross Unrealized Holding Losses | Fair Value | Gross Unrealized Holding Losses | Fair Value | Gross Unrealized Holding Losses |
| U.S. government and agency securities | $ 3,640,934 | $ (8,924) | $ 5,733,076 | $ (86,426) | $ 9,374,010 | $ (95,350) |
| State and agency municipalities | 15,586,646 | (17,665) | 170,197 | (1,183) | 15,756,843 | (18,848) |
| City and county municipalities | 7,896,761 | (87,621) | - | - | 7,896,761 | (87,621) |
| Corporate debt securities (includes commercial paper) | 115,686,839 | (684,861) | 7,009,682 | (125,251) | 122,696,521 | (810,112) |
| Total bonds and short-term investments | $ 142,811,180 | $ (799,071) | $ 12,912,955 | $ (212,860) | $ 155,724,135 | $(1,011,931) |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | < 1 year | | > 1 year | | Total | |
| | Fair Value | Gross Unrealized Holding Losses | Fair Value | Gross Unrealized Holding Losses | Fair Value | Gross Unrealized Holding Losses |
| U.S. government and agency securities | $ 73,745,584 | $(1,940,958) | $ 1,377,924 | $ (143,988) | $ 75,123,508 | $(2,084,946) |
| State and agency municipalities | 37,664,089 | (552,754) | - | - | 37,664,089 | (552,754) |
| City and county municipalities | 72,804,631 | (1,601,442) | 4,694,880 | (135,108) | 77,499,511 | (1,736,550) |
| Corporate debt securities (includes commercial paper) | 86,798,553 | (1,477,387) | 452,637 | (983) | 87,251,190 | (1,478,370) |
| Total bonds and short-term investments | $ 271,012,857 | $(5,572,541) | $ 6,525,441 | $ (280,079) | $ 277,538,298 | $(5,852,620) |

The unrealized losses on investments in U.S. government and agency securities, state and agency municipalities, city and county municipalities, and corporate debt securities at December 31, 2014 and 2013, were mainly caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities. The Company evaluates impairment at each reporting period for each of the securities whereby the fair value of the investment is less than its amortized cost. The contractual cash flows of the U.S. government and agency obligations are either guaranteed by the U.S. government or an agency of the U.S. government. It is expected that the securities would not be settled at a price less than the cost of the investment, and the Company does not intend to sell the investment until the unrealized loss is fully recovered. The Company evaluated the credit ratings of the municipalities and local agency obligations and corporate obligations, noting whether a significant deterioration since purchase or other factors which may indicate an other-than-temporary impairment (OTTI), such as the length of time and extent to which fair value has been less than cost, the financial condition, and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer and the Company's intent to sell the investment. Additionally, the Company evaluated its intent and ability to retain mortgage-backed securities for a period of time sufficient to recover the amortized cost. As a result of these reviews, the Company recorded other-than-temporary impairments of $125,210 and $614 as of December 31, 2014 and 2013, respectively, which are included in net realized capital gains (excluding gains (losses) transferred to the IMR) less capital gains tax in the statutory basis statements of operations.

Net realized capital gains (excluding gains (losses) transferred to the IMR) less capital gains tax are reported net of federal income taxes and amounts transferred to the IMR as of December 31, 2014 and 2013, are as follows:

| | 2014 | 2013 |
|---|---|---|
| Realized capital losses — net of related taxes of $790,819 and $1,681,975 in 2014 and 2013, respectively | $ 1,188,361 | $ 3,084,038 |
| Less amount transferred to IMR — net of related taxes of $692,713 and $1,668,104 in 2014 and 2013, respectively | (1,286,467) | (3,097,910) |
| Net realized capital losses — net of tax and amounts transferred to IMR | $ (98,106) | $ (13,872) |

**A–C.** The Company has no mortgage loans, real estate loans, restructured debt, or reverse mortgages. The Company also has no real estate property held for the production of income or real estate property held for sale.

**D. Loan-Backed Securities**

**(1)** U.S. government and agency securities and corporate debt securities include mortgage-backed securities, which are valued using the retrospective adjustment methodology. Prepayment assumptions for the determination of the amortized cost of mortgage-backed securities are based on a three-month constant prepayment rate history obtained from external data source vendors.

**(2)** The Company did not recognize any other-than-temporary impairments on mortgage-backed securities as of December 31, 2014 and 2013.

**(3)** The Company did not have any mortgage-backed securities with an other-than-temporary impairment to report by CUSIP as of December 31, 2014 or 2013.

**(4)** The following table illustrates the fair value, gross unrealized losses, and length of time that the mortgage-backed securities have been in a continuous unrealized loss position as of December 31, 2014 and 2013:

| | | **2014** |
|---|---|---|
| The aggregate amount of unrealized losses: | | |
| 1. Less than 12 months | $ | - |
| 2. 12 Months or Longer | $ | - |
| The aggregate related fair value of securities with unrealized losses: | | |
| 1. Less than 12 months | $ | - |
| 2. 12 Months or longer | $ | - |

| | | **2013** |
|---|---|---|
| The aggregate amount of unrealized losses: | | |
| 1. Less than 12 months | $ | (1,485,259) |
| 2. 12 Months or Longer | $ | (143,988) |
| The aggregate related fair value of securities with unrealized losses: | | |
| 1. Less than 12 months | $ | 77,258,967 |
| 2. 12 Months or Longer | $ | 1,377,924 |

**(5)** The Company believes that it will collect all principal and interest due on all investments that have an amortized cost in excess of fair value. The unrealized losses as of December 31, 2014 were primarily caused by interest rate increases and not by unfavorable changes in the credit ratings associated with these securities.

**E. Repurchase Agreements and/or Securities Lending Transactions** — Not applicable.

**F. Real Estate** — Not applicable.

**G. Low-Income Housing Tax Credits** —

**(1–5)** Low-income housing investments of $19,682,374 and $22,006,970 as of December 31, 2014 and 2013, respectively, are included in other invested assets in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Approximately $2,421,604 and $7,836,090 related to the investment in low-income housing investments are included in payable for securities in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2014 and 2013, respectively. The number of remaining years of unexpired tax credits is nine, and the required holding period for the low-income housing investments is ten years. The low-income housing investments are not currently subject to any regulatory reviews. The Company did not recognize any impairment losses, write-downs, or reclassifications during 2014 or 2013.

**H. Restricted Assets —** Not applicable.

**I. Working Capital Finance Investments —** Not applicable.

**J. Offsetting and Netting of Assets and Liabilities**

The Company does not have any offsetting or netting of assets and liabilities as it relates to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and securities lending activities.

**K. Structured Notes**

The Company does not have any structured notes.

## 6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

**A–B.** The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of admitted assets and did not recognize any impairment write-down for its investments in joint ventures, partnerships, and limited liability companies during the statement periods.

## 7. INVESTMENT INCOME

**A.** The Company has admitted all investment income due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The components of net investment income as of December 31, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Bonds | $ 14,067,453 | $ 13,650,585 |
| Cash, cash equivalents, and short-term investments | 130,702 | 635,075 |
| Real estate | 1,242,965 | 1,458,360 |
| Other invested assets | (2,324,576) | (1,238,942) |
| Total investment income | 13,116,544 | 14,505,078 |
| Investment expenses | 1,379,313 | 1,630,195 |
| Net investment income | $ 11,737,231 | $ 12,874,883 |

**B.** There were no investment income amounts excluded from the statutory basis financial statements.

## 8. DERIVATIVE INSTRUMENTS

**A–F.** The Company has no derivative instruments.

## 9. INCOME TAXES

### A. Deferred Tax Asset/Liability

(1) The components of the net deferred tax asset at December 31, 2014 and 2013, are as follows:

| | 2014 | | | 2013 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | | (Col 1+2) | | | (Col 4+5) | (Col 1-4) | (Col 2-5) | (Col 7+8) |
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| (a) Gross deferred tax assets | $ 20,415,358 | $ 65,893 | $ 20,481,251 | $ 21,535,607 | $ 37,712 | $ 21,573,319 | $ (1,120,249) | $ 28,181 | $ (1,092,068) |
| (b) Statutory valuation allowance adjustments | - | 65,893 | 65,893 | - | 37,712 | 37,712 | - | 28,181 | 28,181 |
| (c) Adjusted gross deferred tax assets (1a - 1b) | 20,415,358 | - | 20,415,358 | 21,535,607 | - | 21,535,607 | (1,120,249) | - | (1,120,249) |
| (d) Deferred tax assets nonadmitted | 6,404,704 | - | 6,404,704 | 6,666,203 | - | 6,666,203 | (261,499) | - | (261,499) |
| (e) Subtotal net admitted deferred tax asset (1c - 1d) | 14,010,654 | - | 14,010,654 | 14,869,404 | - | 14,869,404 | (858,750) | - | (858,750) |
| (f) Deferred tax liabilities | 35,620 | - | 35,620 | 173,986 | - | 173,986 | (138,366) | - | (138,366) |
| (g) Net admitted deferred tax asset/(net deferred tax liability) | $ 13,975,034 | $ - | $ 13,975,034 | $ 14,695,418 | $ - | $ 14,695,418 | $ (720,384) | $ - | $ (720,384) |

**(2)** The components of the adjusted gross deferred tax assets admissibility calculation under SSAP No. 101, *Income Taxes — A Replacement of SSAP No. 10R and SSAP No. 10*, are as follows:

| | 2014 | | | 2013 | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| **Admission Calculation Components SSAP No. 101** | **Ordinary** | **Capital** | **(Col 1+2) Total** | **Ordinary** | **Capital** | **(Col 4+5) Total** | **(Col 1-4) Ordinary** | **(Col 2-5) Capital** | **(Col 7+8) Total** |
| (a) Federal income taxes paid in prior years recoverable through loss carrybacks | $ 12,382,858 | $ - | $ 12,382,858 | $ 13,317,852 | $ - | $ 13,317,852 | $ (934,994) | $ - | $ (934,994) |
| (b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below) | 1,592,179 | - | 1,592,179 | 1,377,466 | - | 1,377,466 | 214,713 | - | 214,713 |
| 1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date | 1,592,179 | - | 1,592,179 | 1,377,466 | - | 1,377,466 | 214,713 | - | 214,713 |
| 2. Adjusted gross deferred tax assets allowed per limitation threshold | XXX | XXX | 44,881,139 | XXX | XXX | 41,468,309 | XXX | XXX | 3,412,830 |
| (c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities | 35,620 | - | 35,620 | 173,986 | - | 173,986 | (138,366) | - | (138,366) |
| (d) Deferred tax assets admitted as the result of application of SSAP No. 101 Total (2(a) + 2(b) + 2(c)) | $ 14,010,657 | $ - | $ 14,010,657 | $ 14,869,304 | $ - | $ 14,869,304 | $ (858,647) | $ - | $ (858,647) |

**(3)** The ratio percentage and adjusted capital and surplus used to determine the recovery period and threshold limitations for the admission calculation are presented below:

| | **2014** | **2013** |
|---|---|---|
| (a) Ratio percentage used to determine recovery period and threshold limitation amount | 489 % | 395 % |
| (b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2 (b) (2) above | $ 299,207,593 | $ 276,455,390 |

**(4)** There was no impact to the gross deferred tax assets as a result of tax planning strategies.

**B. Unrecognized Deferred Tax Liabilities**

**(1–4)** There are no unrecognized deferred tax liabilities.

## C. Significant Components of Income Taxes

**(1)** The current federal income taxes incurred for the years ended December 31, 2014 and 2013, are as follows:

| | 1<br>2014 | 2<br>2013 | 3<br>(Col 1-2)<br>Change |
|---|---|---|---|
| 1. Current income tax | | | |
| (a) Federal | $ 58,126,178 | $ 65,945,270 | $ (7,819,092) |
| (b) Foreign | - | - | - |
| (c) Subtotal | 58,126,178 | 65,945,270 | (7,819,092) |
| (d) Federal income tax on net capital gains | 790,819 | 1,681,975 | (891,156) |
| (e) Utilization of capital loss carryforwards | - | - | - |
| (f) Other | - | - | - |
| (g) Total federal and foreign income taxes incurred | $ 58,916,997 | $ 67,627,245 | $ (8,710,248) |

**(2–4)** The tax effect of temporary differences that give rise to significant portions of the gross deferred tax assets and liabilities as of December 31, 2014 and 2013, are as follows:

| | 1<br>2014 | 2<br>2013 | 3<br>(Col 1-2)<br>Change |
|---|---|---|---|
| 2. Deferred tax assets: | | | |
| (a) Ordinary: | | | |
| (1) Discounting of unpaid losses | $ 610,392 | $ 862,393 | $ (252,001) |
| (2) Unearned premium reserve | 6,173,319 | 7,760,179 | (1,586,860) |
| (3) Policyholder reserves | - | - | - |
| (4) Investments | - | - | - |
| (5) Deferred acquisition costs | 10,886,605 | 9,911,024 | 975,581 |
| (6) Policyholder dividends accrual | - | - | - |
| (7) Fixed assets | - | - | - |
| (8) Compensation and benefits accrual | - | - | - |
| (9) Pension accrual | - | - | - |
| (10) Receivables — nonadmitted | 214,583 | 1,937,755 | (1,723,172) |
| (11) Net operating loss carry-forward | - | - | - |
| (12) Tax credit carry-forward | - | - | - |
| (13) Other (including items <5% of total ordinary tax assets) | 2,530,459 | 1,064,256 | 1,466,203 |
| (99) Subtotal | 20,415,358 | 21,535,607 | (1,120,249) |
| (b) Statutory valuation allowance adjustment | - | - | - |
| (c) Nonadmitted | 6,404,704 | 6,666,203 | (261,499) |
| (d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c) | 14,010,654 | 14,869,404 | (858,750) |
| (e) Capital: | | | |
| (1) Investments | 65,893 | 37,712 | 28,181 |
| (2) Net capital loss carry-forward | - | - | - |
| (3) Real estate | - | - | - |
| (4) Other (including items <5% of total capital tax assets) | - | - | - |
| (99) Subtotal | 65,893 | 37,712 | 28,181 |
| (f) Statutory valuation allowance adjustment | 65,893 | 37,712 | 28,181 |
| (g) Nonadmitted | - | - | - |
| (h) Admitted capital deferred tax assets (2e99 - 2f - 2g) | - | - | - |
| (i) Admitted deferred tax assets (2d + 2h) | 14,010,654 | 14,869,404 | (858,750) |
| 3. Deferred tax liabilities: | | | |
| (a) Ordinary: | | | |
| (1) Investments | 35,620 | 77,468 | (41,848) |
| (2) Fixed assets | - | - | - |
| (3) Deferred and uncollected premium | - | - | - |
| (4) Policyholder reserves | - | - | - |
| (5) Other (including items <5% of total ordinary tax liabilities | - | 96,518 | (96,518) |
| (99) Subtotal | 35,620 | 173,986 | (138,366) |
| (b) Capital: | | | |
| (1) Investments | - | - | - |
| (2) Real estate | - | - | - |
| (3) Other (including items <5% of total capital tax liabilities | - | - | - |
| (99) Subtotal | - | - | - |
| (c) Deferred tax liabilities (3a99 + 3b99) | 35,620 | 173,986 | (138,366) |
| 4. Net deferred tax assets/liabilities (2i - 3c) | $ 13,975,034 | $ 14,695,418 | $ (720,384) |

The other ordinary deferred tax asset of $2,530,459 for 2014 consists of general expenses due and accrued of $1,634,956, bad debt of $565,250, and other items of $330,253. The other ordinary deferred tax liability of $96,518 for 2013 consists of venture capital.

The Company assessed the potential realization of the gross deferred tax asset and established a valuation allowance of $65,893 and $37,712 to reduce the gross deferred tax asset to $20,415,358 and $21,535,607 as of December 31, 2014 and 2013, respectively, which represents the amount of the asset estimated to be recoverable via carryback of losses and reduction of future taxes. The change in the valuation allowance is attributable to the change in timing of deductibility of expenses and/or expectations for future taxable income.

**D.** The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate of 35% to net gain from operations before federal income taxes and net realized capital gains (losses). A summarization of the significant items causing this difference as of December 31, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Tax provision at the federal statutory rate | $ 47,209,808 | $ 68,372,313 |
| Capital gains | 692,713 | 1,668,104 |
| Total income tax | 47,902,521 | 70,040,417 |
| Tax-exempt interest | (1,941,686) | (1,870,221) |
| Health insurer tax | 10,131,229 | - |
| Tax effect of nonadmitted assets | 6,902,259 | (887,951) |
| Prior year true-up | 8,921 | (317,652) |
| Change in statutory valuation allowance | 28,181 | 13,912 |
| Tax credit | (1,560,699) | (1,117,588) |
| Other | (1,571,846) | (1,276,914) |
| Total statutory income taxes | $ 59,898,880 | $ 64,584,003 |
| Federal income taxes incurred | $ 58,126,178 | $ 65,945,270 |
| Capital gains tax | 790,819 | 1,681,975 |
| Change in net deferred tax asset | 981,883 | (3,043,242) |
| Total statutory income taxes | $ 59,898,880 | $ 64,584,003 |

**E.** At December 31, 2014, the Company had no net operating loss carryforwards.

Current federal income taxes recoverable of approximately $3,992,735 and $23,134,147 as of December 31, 2014 and 2013, respectively, are included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. Federal income taxes paid, net of refunds were approximately $40,350,926 and $78,010,145 in 2014 and 2013, respectively.

Federal income taxes incurred of approximately $59,483,378 and $67,953,813 for 2014 and 2013, respectively, are available for recoupment in the event of future net losses.

The Company has not admitted any aggregate amounts of deposits that are included within Section 6603 (“Deposits made to suspend running of interest on potential underpayments, etc.”) of the Internal Revenue Service (“IRS”) Code.

**F.** The Company is included in the consolidated federal income tax return with its ultimate parent, UnitedHealth Group. The entities included within the consolidated return are included in NAIC Statutory Statement Schedule Y — Information Concerning Activities of Insurer Members of a Holding Company Group. Federal income taxes are paid to or refunded by UnitedHealth Group pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis, with the exception of net operating losses and capital losses. For these losses, the Company receives a benefit at the federal rate in the current year for current taxable losses incurred in that year to the extent losses can be utilized in the consolidated federal income tax return of UnitedHealth Group. UnitedHealth Group currently files income tax returns in the U.S. federal jurisdiction, various states, and foreign jurisdictions. The IRS has completed exams on UnitedHealth Group’s consolidated income tax returns for fiscal years 2013 and prior. UnitedHealth Group’s 2014 tax return is under advance review by the IRS under its Compliance Assurance Program. With the exception of a few states, UnitedHealth Group is no longer subject to income tax examinations prior to 2007 in major state and foreign jurisdictions. The Company does not believe any adjustments that may result from these examinations will be material to the Company.

**G.** **Tax Contingencies** — Not applicable.

## 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AND AFFILIATES

### A–L. Material Related Party Transactions

Effective January 1, 2014, the Company entered into a Management Agreement (“Agreement”) with United HealthCare Services, Inc. (“UHS”). Under this agreement, all fixed assets other than buildings and real estate were transferred to UHS at fair market value. This Agreement has been approved by the Department and will replace the previous agreement with GRFC. UHS will provide similar services to the Company under a revised fee structure that is changing from an allocation of management time to a percentage of premium charge based on UHS' expenses for services or use of assets provided to the Company. In addition, UHS will provide or arranges for services on behalf of the Company using a pass-through of charges incurred by UHS on a per member per month (PMPM) basis (where the charge incurred by UHS is on a PMPM basis) or using another allocation methodology consistent with the Agreement. These services may include, but are not limited to, utilization management, network management and operations for medical, behavioral health, pharmacy benefit management, transplant services and discount program services. The amount and types of services provided pursuant to the pass-through provision of the Agreement can change year over year as UHS becomes the contracting entity for services provided to the Company's members. Direct expenses not included in the Agreement, such as department of insurance exam fees and affordable care acts assessments are paid by UHS on the behalf of the Company. UHS is reimbursed by the Company for these direct expenses.

The Company was charged the following for management and administrative services, which are included in general insurance expenses and insurance taxes, licenses, and fees in the accompanying statutory basis statements of operations:

| | **2014** | **2013** |
|---|---|---|
| Management fees: | | |
| UHS management fee | $ 167,528,848 | $ 17,342,538 |
| GRFC management fee | - | 3,176,105 |
| Total | $ 167,528,848 | $ 20,518,643 |

Effective January 1, 2014, the Company is contracting with OptumRx, Inc. ("OptumRx") to provide administrative services related to pharmacy management and pharmacy claims processing for its enrollees. Fees related to these agreements are calculated on a per-claim basis and are included in general insurance expenses in the statutory basis statements of operations.

The Company is a party to various purchased service agreements with various related parties, whereby these related parties provide a combination of network management and benefit administration to the Company. Spectera, Inc. provides administrative services related to vision benefit management and claims processing. Dental Benefit Providers, Inc. provides network access and dental care administration. United Behavioral Health provides mental health and substance abuse services. In all instances, the fees and costs of such services are reasonable and consistent with those provided by a third-party provider. The Company was charged the following for Purchase Service Agreements, which are included general insurance expenses and insurance taxes, licenses and fees in the statutory basis statements of operations:

| | **2014** | **2013** |
|---|---|---|
| Purchased services agreements: | | |
| OptumRx pharmacy fees | $ 5,434,985 | $ 294 |
| Optum network access fees | 399,386 | - |
| Dental Benefit Providers, Inc. capitation fees | 3,832,312 | 3,695,484 |
| Spectera, Inc. vision capitation fees | 693,494 | 529,509 |
| UHS network access fees | - | 10,479,633 |
| UHS technology expenses | - | 9,442,609 |
| UHS insurance expenses | - | 5,524,727 |
| UHS Medco pharmacy fees | 30,452 | 4,476,346 |
| UHCLIC administrative and miscellaneous expenses | - | 15,331,603 |
| All other affiliated expenses | 458,248 | 13,146,040 |
| Total purchased services | $ 10,848,877 | $ 62,626,245 |

Management believes that its transactions with affiliates are fair and reasonable; however, operations of the Company may not be indicative of those that would have occurred if it had operated as an independent company.

The Company holds a $150,000,000 subordinated revolving credit agreement with UnitedHealth Group at an interest rate of London InterBank Offered Rate ("LIBOR") plus a margin of 0.50%. This credit agreement is subordinate to the extent it does not conflict with any credit facility held by either party. The credit agreement is for a one-year term and automatically renews annually, unless terminated by either party. The agreement was renewed effective December 31, 2014. No amounts were outstanding under the line of credit as of December 31, 2014 and 2013.

At December 31, 2014 and 2013, the Company reported $9,393,510 as receivable from parent, subsdiaries, and, affiliates and $5,170,745 as payable to parent, subsidiaries, and affiliates, respectively, which are included in the statutory basis statements of admitted assets, liabilities, and capital and surplus. These balances are generally settled within 90 days from the incurred date.

Any balances due to the Company that are not settled within 90 days are considered nonadmitted assets.

In addition to the agreements above, UHS maintains a private short-term money market investment pool in which affiliated companies may participate (see Note 1). At December 31, 2014 and 2013, the Company's portion was $39,054,919 and $446,312, respectively, and is included in cash, cash equivalents, and short-term investments in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Company has entered into a Tax Sharing Agreement with UnitedHealth Group (see Note 9).

The Company paid dividends of $75,000,000 and $125,000,000 in 2014 and 2013, respectively, to its parent (see Note 13).

The Company does not have any amount deducted from the value of an upstream intermediate entity or ultimate parent owned, either directly or indirectly, via a downstream subsidiary or controlled or affiliated entity.

The Company does not have any investments in a subsidiary or controlled or affiliated entity that exceeds 10% of admitted assets.

The Company does not have any investments in impaired subsidiaries or controlled or affiliated entities.

The Company does not have any investments in foreign insurance subsidiaries.

The Company does not hold any investments in a downstream noninsurance holding company.

The Company has not extended any guarantees or undertakings for the benefit of an affiliate or related party.

**11. DEBT**

**A–B.** The Company had no outstanding debt with third parties or outstanding federal home loan bank agreements during 2014 and 2013.

**12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES, AND OTHER POSTRETIREMENT BENEFIT PLANS**

**A–I.** The Company has no defined benefit plans, defined contribution plans, multiemployer plans, consolidated/holding company plans, postemployment benefits, or compensated absences plans and is not impacted by the Medicare Modernization Act on postretirement benefits, since all personnel are employees of UHS, which provides services to the Company under the terms of a management agreement (see Note 10).

**13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS, AND QUASI-REORGANIZATIONS**

**(1–2)** The Company has 1,000,000 shares authorized and 815,676 shares issued and outstanding of $4 par value common stock. The Company has no preferred stock outstanding. All issued and outstanding shares of common stock are held by the Company's parent, GRFC.

**(3)** The maximum amount of dividends which can be paid by insurance companies which are regulated under the State of Indiana holding company statutes without prior approval of the Department is restricted to the greater of statutory basis net gain from operations (before realized gains) for the preceding year or 10% of statutory policyholder surplus at the end of the preceding year. The maximum dividend allowable in 2015 without prior approval of the Department is $76,758,986.

**(4)** The Company paid ordinary cash dividends to GRFC of $25,000,000 on March 28, 2014, June 27, 2014 and September 30, 2014, respectively, which required no approval and were recorded as a reduction to unassigned surplus in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

**(5)** The amount of ordinary dividends that may be paid out during any given period is subject to certain restrictions as specified by state statute.

**(6)** There are no restrictions placed on the Company's unassigned surplus.

**(7)** The Company is not a mutual reciprocal or a similarly organized entity and does not have advances to surplus not repaid.

**(8)** The Company does not hold any stock, including stock of affiliated companies for special purposes, such as conversion of preferred stock, employee stock options, or stock purchase warrants.

**(9)** As discussed in Note 1, an amount equal to the estimated subsequent year ACA fee must be apportioned out of unassigned surplus and reported as aggregate write-ins for special surplus funds.

**(10)** The portion of unassigned funds represented (or reduced) by each item below is as follows:

| | **2014** | **2013** | **Change** |
|---|---|---|---|
| Net deferred income taxes | $ 20,379,738 | $ 21,361,621 | $ (981,883) |
| Nonadmitted assets | (13,158,171) | (33,140,409) | 19,982,238 |
| Asset valuation reserve | (2,142,677) | (1,899,581) | (243,096) |
| Surplus due to reinsurance | 15,742,915 | 17,542,105 | (1,799,190) |
| Correction of error | 1,068,489 | - | 1,068,489 |
| Total | $ 21,890,294 | $ 3,863,736 | $ 18,026,558 |

**(11–13)** The Company does not have any outstanding surplus notes and has never been a party to a quasi-reorganization.

**(12–13)** The Company has never been a party to a quasi-reorganization.

## 14. LIABILITIES, CONTINGENCIES and ASSESSMENTS

### A. Contingent Commitments

The Company has no contingent commitments.

### B. Assessments

**(1)** A liability for guaranty fund assessments is accrued after the insolvency has occurred. A liability for other assessments is accrued based upon historical trends. A liability for guaranty fund and other assessments of $9,459,938 and $8,827,231 is included in taxes, licenses and fees due or accrued, and an asset for related premium tax offsets of $1,939,050 and $2,980,243 is included in guaranty funds receivable or on deposit, in the statutory basis statements of admitted assets, liabilities, and capital and surplus as of December 31, 2014 and 2013, respectively. The Company incurred expenses of $5,168,474 and $6,898,743 for 2014 and 2013, respectively, which is included in insurance taxes, licenses and fees in the accompanying statutory basis statements of operations. The Company takes credits on its premium tax returns based upon pre-determined guidance from the assessing state.

**(2)** Assets recognized from paid and accrued premium tax offsets and policy surcharges are presented below:

| | |
|---|---|
| a. Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end | $ 2,980,243 |
| b. Decreases current year: | |
| Policy surcharges collected | - |
| Policy surcharges charged off | - |
| Premium tax offset applied | 1,285,384 |
| c. Increases current year: | |
| Policy surcharges collected | - |
| Policy surcharges charged off | - |
| Premium tax offset applied | 244,191 |
| d. Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end | $ 1,939,050 |

### C. Gain Contingencies

The Company is not aware of any gain contingencies that should be disclosed in the statutory basis financial statements.

### D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits — Not applicable.

### E. Joint and Several Liabilities — Not applicable

**F. All Other Contingences**

Because of the nature of its businesses, the Company is frequently made party to a variety of legal actions and regulatory inquiries, including class actions and suits brought by members, care providers, consumer advocacy organizations, customers and regulators, relating to the Company's businesses, including management and administration of health benefit plans and other services.

The Company records liabilities for its estimates of probable costs resulting from these matters where appropriate. Estimates of costs resulting from legal and regulatory matters involving the Company are inherently difficult to predict, particularly where the matters: involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or represent a shift in regulatory policy; involve a large number of claimants or regulatory bodies; are in the early stages of the proceedings; or could result in a change in business practices. Accordingly, the Company is often unable to estimate the losses or ranges of losses for those matters where there is a reasonable possibility or it is probable that a loss may be incurred. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions will not have a material adverse effect on the statutory basis statements of admitted assets, liabilities, and capital and surplus or statutory basis statements of operations of the Company.

The Company's business is regulated at the federal, state, and local levels. The laws and rules governing the Company's business and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. Further, the Company must obtain and maintain regulatory approvals to market and sell many of its products.

Health Reform Legislation and the related federal and state regulations will continue to impact how the Company does business and could restrict revenue and enrollment growth in certain products and market segments, restrict premium growth rates for certain products and market segments, increase the Company's medical and administrative costs, expose the Company to an increased risk of liability (including increasing the Company's liability in federal and state courts for coverage determinations and contract interpretation), or put the Company at risk for loss of business. In addition, the Company's statutory basis results of operations, financial condition and cash flows could be materially adversely affected by such changes. The Health Reform Legislation may create new or expand existing opportunities for business growth, but due to its complexity, the long-term impact of the Health Reform Legislation remains difficult to predict and is not yet fully known.

The Company routinely evaluates the collectability of all receivable amounts included within the statutory basis statements of admitted assets, liabilities, and capital and surplus. Impairment reserves are established for those amounts where collectability is uncertain. Based on the Company's past experience, exposure related to uncollectible balances and the potential of loss for those balances not currently reserved for is not material to the Company's statutory basis financial condition.

Under state guaranty fund laws, certain insurance companies can be assessed (up to prescribed limits) for certain obligations to the policyholders and claimants of insolvent insurance companies. In 2009, the Pennsylvania Insurance Commissioner placed long term care insurer Penn Treaty Network America Insurance Company and its subsidiary (Penn Treaty), neither of which is affiliated with the Company, in rehabilitation and petitioned a state court for approval to liquidate Penn Treaty. In 2012, the court denied the liquidation petition and ordered the Insurance Commissioner to submit a rehabilitation plan. The court recently set a hearing for July 2015 to consider the latest proposed rehabilitation plan.

If the current proposed rehabilitation plan, which contemplates the partial liquidation of Penn Treaty, is approved by the court, the Company and other insurers may be required to pay a portion of Penn Treaty's policyholder claims through state guaranty association assessments in future periods. The Company intends to vigorously challenge the proposed rehabilitation plan. The Company is currently unable to estimate losses or ranges of losses because the Company cannot predict whether, when or to what extent Penn Treaty will ultimately be declared insolvent, the amount of the insolvency, if any, the amount and timing of any associated guaranty fund assessments or the availability and amount of any premium tax and other potential offsets.

There are no assets that the Company considers to be impaired at December 31, 2014 and 2013, except as disclosed in Note 5 and Note 20.

**15. LEASES**

**A–B.** According to the management agreement between the Company and UHS (see Note 10), operating leases for the rental of office facilities and equipment are the responsibility of UHS. Fees associated with the lease agreements are included as a component of the Company's management fee.

Prior to 2014, the Company was the lessee in various operating leases. Rental expense in 2013 under operating leases, excluding imputed rent, totaled approximately $474,946.

In 2014 and 2013, the amount of imputed rent relating to the Company's occupancy of its own buildings, which is included in both net investment income and general insurance expenses on the accompanying statutory basis statements of operations, was approximately $1,242,965 and $1,458,360, respectively.

**16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK**

**(1–4)** The Company does not hold any financial instruments with off-balance-sheet risk or concentrations of credit risk.

**17. SALE, TRANSFER, AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES**

**A–C.** The Company did not participate in any transfer of receivables, financial assets, or wash sales.

**18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS**

**A–C.** The Company does not have any uninsured or partially insured accident and health plans.

**19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD-PARTY ADMINISTRATORS**

The Company did not have any direct premiums written or produced by managing general agents or third-party administrators in 2014 and 2013.

**20. FAIR VALUE MEASUREMENT**

The NAIC SAP defines fair value, establishes a framework for measuring fair value, and outlines the disclosure requirements related to fair value measurements. The fair value hierarchy is as follows:

*Level 1* — Quoted (unadjusted) prices for identical assets in active markets.

*Level 2* — Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time, etc.);
- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.);
- Inputs that are derived principally from or corroborated by other observable market data.

*Level 3* — Unobservable inputs that cannot be corroborated by observable market data.

The estimated fair values of bonds and short-term investments are based on quoted market prices, where available. The Company obtains one price for each security primarily from a third-party pricing service ("pricing service"), which generally uses quoted prices or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, non-binding broker quotes, benchmark yields, credit spreads, default rates, and prepayment speeds. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source, prices reported by its custodian, its investment consultant, and third-party investment advisors. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services have not historically resulted in an adjustment in the prices obtained from the pricing service.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

## A. Fair Value

### (1) Fair Value Measurements at Reporting Date

The following table presents information about the Company's financial assets that are measured and reported at fair value at December 31, 2014 and 2013, in the statutory basis statements of admitted assets, liabilities, and capital and surplus according to the valuation techniques the Company used to determine their fair value:

| Description for Each Class of Asset or Liability | | December 31, 2014 (Level 1) | (Level 2) | (Level 3) | Total |
|---|---|---|---|---|---|
| a. Assets at fair value: | | | | | |
| Perpetual preferred stock | | | | | |
| Industrial and misc | (a) | $ - | $ - | $ - | $ - |
| Parent, subsidiaries, and affiliates | | - | - | - | - |
| Total perpetual preferred stocks | | - | - | - | - |
| Bonds: | | | | | |
| U.S. governments | | - | - | - | - |
| Industrial and misc | | - | 842,346 | - | 842,346 |
| Hybrid securities | | - | - | - | - |
| Parent, subsidiaries, and affiliates | | - | - | - | - |
| Total bonds | | - | 842,346 | - | 842,346 |
| Common stock: | | | | | |
| Industrial and misc | | - | - | - | - |
| Parent, subsidiaries, and affiliates | | - | - | - | - |
| Total common stock | | - | - | - | - |
| Derivative assets: | | | | | |
| Interest rate contracts | | - | - | - | - |
| Foreign exchange contracts | | - | - | - | - |
| Credit contracts | | - | - | - | - |
| Commodity futures contracts | | - | - | - | - |
| Commodity forward contracts | | - | - | - | - |
| Total derivatives | | - | - | - | - |
| Additional write-ins | | - | - | - | - |
| Additional write-ins | | - | - | - | - |
| Separate account assets | | - | - | - | - |
| Total assets at fair value | | $ - | $ 842,346 | $ - | $ 842,346 |
| b. Liabilities at fair value: | | | | | |
| Derivative liabilities | | $ - | $ - | $ - | $ - |
| Additional write-ins | | - | - | - | - |
| Additional write-ins | | - | - | - | - |
| Total liabilities at fair value | | $ - | $ - | $ - | $ - |

| Description for Each Class of Asset or Liability | | December 31, 2013 (Level 1) | (Level 2) | (Level 3) | Total |
|---|---|---|---|---|---|
| a. Assets at fair value: | | | | | |
| Perpetual preferred stock | | | | | |
| Industrial and misc | (a) | $ - | $ - | $ - | $ - |
| Parent, subsidiaries, and affiliates | | - | - | - | - |
| Total perpetual preferred stocks | | - | - | - | - |
| Bonds: | | | | | |
| U.S. governments | | - | - | - | - |
| Industrial and misc | | - | 1,803,057 | - | 1,803,057 |
| Hybrid securities | | - | - | - | - |
| Parent, subsidiaries, and affiliates | | - | - | - | - |
| Total bonds | | - | 1,803,057 | - | 1,803,057 |
| Common stock: | | | | | |
| Industrial and misc | | - | - | - | - |
| Parent, subsidiaries, and affiliates | | - | - | - | - |
| Total common stock | | - | - | - | - |
| Derivative assets: | | | | | |
| Interest rate contracts | | - | - | - | - |
| Foreign exchange contracts | | - | - | - | - |
| Credit contracts | | - | - | - | - |
| Commodity futures contracts | | - | - | - | - |
| Commodity forward contracts | | - | - | - | - |
| Total derivatives | | - | - | - | - |
| Additional write-ins | | - | - | - | - |
| Additional write-ins | | - | - | - | - |
| Separate account assets | | - | - | - | - |
| Total assets at fair value | | $ - | $ 1,803,057 | $ - | $ 1,803,057 |
| b. Liabilities at fair value: | | | | | |
| Derivative liabilities | | $ - | $ - | $ - | $ - |
| Additional write-ins | | - | - | - | - |
| Additional write-ins | | - | - | - | - |
| Total liabilities at fair value | | $ - | $ - | $ - | $ - |

There were no transfers between Levels 1 and 2 during the years ended December 31, 2014 and 2013.

**(2)** The Company does not have any financial assets with a fair value hierarchy of Level 3 that were measured and reported at fair value.

**(3)** Transfers between fair value hierarchy levels, if any, are recorded as of the beginning of the reporting period in which the transfer occurs. There were no transfers between Levels 1, 2 or 3 of any financial assets or liabilities during the years ended December 31, 2014 or 2013.

**(4)** **Investments —** Fair values of debt and equity securities are based on quoted market prices, where available. The Company obtains one price for each security primarily from a third-party pricing service (“pricing service”), which generally uses quoted prices or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, and, if necessary, makes adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark yields, credit spreads, default rates, prepayment speeds and non-binding broker quotes. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to prices reported by a secondary pricing source, such as its custodian, its investment consultant and third-party investment advisors. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company’s internal price verification procedures and reviews of fair value methodology documentation provided by independent pricing services have not historically resulted in adjustment in the prices obtained from the pricing service.

**Low-Income Housing and Certified Capital Company (“CAPCO”) tax-credit investments** — The fair values of Level 3 investments in Low Income Housing and CAPCO securities are deemed held-to-maturity as there is no active market and they will not be sold. Because of this, these securities are held at amortized cost. Should any contractual breakage occur that jeopardizes the ability to receive the tax credits associated with these securities, impairments will be recognized. As of December 31, 2014, all of these investments are performing in accordance with their original contract terms.

**(5)** The Company has no derivative assets and liabilities to disclose.

**B.** **Fair Value Combination** — Not applicable.

**C.** The aggregate fair value by hierarchy of all financial instruments as of December 31, 2014 and 2013 is presented in the table below:

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| **Types of Financial Investment** | **Aggregate Fair Value** | **Admitted Assets** | **(Level 1)** | **(Level 2)** | **(Level 3)** | **Not Practical Carrying Value** |
| U.S. government and agency securities | $ 92,930,039 | $ 90,867,711 | $ 29,859,684 | $ 63,070,355 | $ - | $ - |
| State and agency municipalities | 136,474,493 | 133,752,363 | - | 136,474,493 | - | - |
| City and county municipalities | 136,057,874 | 131,430,603 | - | 136,057,874 | - | - |
| Corporate debt securities (includes commercial paper) | 232,860,862 | 231,859,884 | - | 232,860,862 | - | - |
| Money-market funds | 50,596,401 | 50,596,401 | 50,596,401 | - | - | - |
| Other invested assets | 19,682,374 | 19,682,374 | - | - | 19,682,374 | - |
| Total bonds and short-term investments | 668,602,043 | 658,189,336 | 80,456,085 | 568,463,584 | 19,682,374 | $ - |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| **Types of Financial Investment** | **Aggregate Fair Value** | **Admitted Assets** | **(Level 1)** | **(Level 2)** | **(Level 3)** | **Not Practical Carrying Value** |
| U.S. government and agency securities | $ 116,160,132 | $ 116,600,856 | $ 26,433,099 | $ 89,727,033 | $ - | $ - |
| State and agency municipalities | 124,963,626 | 122,452,732 | - | 124,963,626 | - | - |
| City and county municipalities | 158,839,620 | 157,928,938 | - | 158,839,620 | - | - |
| Corporate debt securities (includes commercial paper) | 217,996,766 | 215,927,378 | - | 217,996,766 | - | - |
| Money-market funds | 6,735,879 | 6,735,879 | 6,735,879 | - | - | - |
| Other invested assets | 22,175,461 | 22,006,970 | - | - | 22,175,461 | - |
| Total bonds and short-term investments | 646,871,484 | 641,652,753 | 33,168,978 | 591,527,045 | 22,175,461 | $ - |

Included as Level 1 in U.S. government and agency securities in the fair value hierarchy table above are U.S. Treasury securities of $29,859,684 and $26,433,099 as of December 31, 2014 and 2013, respectively. These instruments are reflected in bonds in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

Included as Level 2 in corporate debt securities in the fair value hierarchy tables above is commercial paper of $449,593 and $3,998,628 as of December 31, 2014 and 2013, respectively. The commercial paper investments reflected in the table above are included in cash, cash equivalents and short-term investments in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

**D.** **Not Practicable to Estimate Fair Value** — Not applicable.

## 21. OTHER ITEMS

The Company’s business is regulated at federal, state and local levels, and the Company must obtain and maintain regulatory approvals to market and sell many of its products. The laws and rules governing the Company’s business and interpretations of those laws and rules are subject to frequent change. Broad latitude is given to the agencies administering those regulations. State legislatures and Congress continue to focus on health care issues.

**A.** The Company did not encounter any extraordinary items for the years ended December 31, 2014 or 2013.

**B.** The Company has no troubled debt restructurings as of December 31, 2014 or 2013.

**C.** The Company does not have any amounts not recorded in the statutory basis financial statements that represent segregated funds held for others. The Company also does not have any exposures related to forward commitments.

**D.** The Company has not received any business interruption insurance recoveries during 2014 and 2013.

**E.** The Company has no transferrable or non-transferable state tax credits.

**F.** **Sub-Prime Mortgage-Related Risk Exposure**

**(1)** The investment policy for the Company limits investments in asset-backed securities, which includes sub-prime issuers. Further, the policy limits investments in private-issuer mortgage securities to 10% of the portfolio, which also includes sub-prime issuers. The exposure to unrealized losses on sub-prime issuers is due to changes in market prices. There are no realized losses due to not receiving anticipated cash flows. The investments covered are rated NAIC rating of 1 or 2.

**(2)** The Company has no direct exposure through investments in subprime mortgage loans.

**(3)** The Company has no direct exposure through other investments.

**(4)** The Company has no underwriting exposure to sub-prime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.

**G.** The Company does not have any retained asset accounts for beneficiaries.

## 22. EVENTS SUBSEQUENT

Subsequent events have been evaluated through February 28, 2015, which is the date these statutory basis financial statements were available for issuance.

**TYPE I — Recognized Subsequent Events:**

There are no events subsequent to December 31, 2014, that require disclosure.

**TYPE II — Non-Recognized Subsequent Events:**

On January 1, 2015, the Company will be subject to the annual fee under section 9010 of the Affordable Care Act. This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity’s net premiums written during the preceding calendar year to the amount of the health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity’s portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, of the year the fee is due. As of December 31, 2014, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2015, and estimates its portion of the annual health insurance industry fee payable on September 30, 2015 to be $34,462,586. This amount is reflected in section 9010 ACA subsequent fee year assessment. The Company’s Authorized Control Level RBC (“ACL RBC”) ratio was 489% as of December 31, 2014. Reporting the ACA assessment as of December 31, 2014 would not have triggered an RBC action level.

| | | 2014 | 2013 |
|---|---|---|---|
| A. | ACA fee assessment payable | $ 34,462,586 | $ 28,644,874 |
| B. | ACA fee assessment paid | 28,946,368 | - |
| C. | Premium written subject to ACA 9010 assessment | 1,817,461,811 | 1,960,576,132 |
| D. | Total Adjusted Capital before surplus adjustment | 301,350,270 | |
| E. | Authorized Control Level before surplus adjustment | 61,620,745 | |
| F. | Total Adjusted Capital after surplus adjustment | 266,887,684 | |
| G. | Authorized Control Level after surplus adjustment | 61,620,745 | |
| H. | Would reposting the ACA assessment as of December 31, 2014 triggered an RBC action level (YES/NO/Not Applicable)? | NO | |

There are no other events subsequent to December 31, 2014 that require disclosure.

## 23. REINSURANCE

**Reinsurance Agreements** — In the normal course of business, the Company seeks to reduce potential losses that may arise from catastrophic events that cause unfavorable underwriting results by reinsuring certain levels of such risk with other nonaffiliated reinsurers. The Company remains primarily liable as the direct insurer on all risks reinsured.

The Company cedes 100% of the total risk on individual life policies, except group life and term life rider. The ceding commission, net of tax, generated from entering into this agreement was recorded directly to surplus in 2005. Per SSAP No. 61, *Life, Deposit-Type and Accident and Health Reinsurance*, the net ceding commission is to be amortized back into income with a corresponding decrease to surplus. The rate of amortization is based upon the Company's projected income on that block of business had it not entered into the transaction. The impact of this treatment is to increase net income and have no effect on surplus.

For accident and health and disability policies, the Company has established various limits of coverage it will retain on any one policyholder and cedes the remainder of such coverage.

One reinsurer accounted for 99% of the Company's December 31, 2014 and 2013, ceded reserves for life and accident and health insurance. The Company remains obligated for amounts ceded in the event that reinsurers do not meet their obligations.

The effect of the external reinsurance agreements outlined above on premiums for life and accident and health contracts – net and disability benefits and benefits under accident and health insurance contracts – net is presented below:

| | 2014 | 2013 |
|---|---|---|
| Premiums for life and accident and health contracts: | | |
| Direct | $ 1,889,349,921 | $ 2,063,568,360 |
| Ceded: | | |
| Nonaffiliate | (38,722,708) | (42,978,275) |
| Premiums for life and accident and health contracts — net | $ 1,850,627,213 | $ 2,020,590,085 |
| Disability benefits and benefits under accident and health insurance contracts: | | |
| Direct | $ 1,389,796,727 | $ 1,490,878,628 |
| Assumed: | | |
| Ceded: | | |
| Nonaffiliate | 129,691 | (281,971) |
| Disability benefits and benefits under accident and health insurance contracts | $ 1,389,926,418 | $ 1,490,596,657 |

The Company recognized reinsurance recoveries related to external agreements of $344,074 and $616,439 in 2014 and 2013, respectively, which are netted against disability benefits and benefits under accident and health insurance contracts in the statutory basis statements of operations. In addition, reinsurance recoverables related to external reinsurance agreements of $0 and $328,870 for paid losses are recorded as amounts recoverable from reinsurers and $66,241 and $211,136 for unpaid losses are recorded as a reduction to contract claims – accident and health in 2014 and 2013, respectively, in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

### A. Ceded Reinsurance Report

*Section 1* — General Interrogatories

**(1)** Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee, or director of the Company?

Yes ( ) No (X)

**(2)** Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor, or any other person not primarily engaged in the insurance business?

Yes ( ) No (X)

*Section 2* — Ceded Reinsurance Report — Part A

**(1)** Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( ) No (X)

**(2)** Does the reporting entity have any reinsurance agreements in effect that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

*Section 3* — Ceded Reinsurance Report — Part B

**(1)** What is the estimated amount of the aggregate reduction in surplus (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate.

The Company estimates there should be no aggregate reduction in surplus for termination of all reinsurance agreements as of December 31, 2014.

**(2)** Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes ( ) No (X)

**B.** **Uncollectible Reinsurance** — During 2014 and 2013, there were no uncollectible reinsurance recoverables.

**C.** **Commutation of Ceded Reinsurance** — During 2014 the Company commuted the coinsurance agreement with General Re Life Corporation. As a result of the commutation, the Company recorded a refund of ceded premium of $34,177. No claims or CAE have been incurred under the agreement.

**D.** **Certified Reinsurer Rating Downgraded or Status Subject to Revocation -** Not applicable.

## 24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

**A–C.** The Company established a liability for estimated premium refunds in states in which “file and use” rates are used. Regulatory requirements mandate premium refunds be made annually when credible experience in a specific state is below the minimum loss ratio mandated by that state. The amount of premiums for other life and accident and health contracts written by the Company subject to experience rating refunds was $17,327,372 and $23,107,763, representing 0.9% and 1.1% of total premiums for life and accident and health contracts, as of December 31, 2014 and 2013, respectively.

Estimated accrued premium refunds on experience rated contracts due from the Company are recorded in provision for experience rating refunds in the statutory basis statements of admitted assets, liabilities, and capital and surplus and as an adjustment to premiums for life and accident and health contracts – net in the accompanying statutory basis statements of operations.

**D.** The Company is required to maintain specific minimum loss ratios. These minimum loss ratios apply to comprehensive major medical coverage and vary depending on group size. The following table discloses the minimum medical loss ratio rebates required pursuant to the Health Reform Legislation for the years ended December 31, 2014 and 2013:

| | 1<br>Individual | 2<br>Small Group Employer | 3<br>Large Group Employer | 4<br>Other Categories with Rebates | 5<br>Total |
|---|---|---|---|---|---|
| Prior Reporting Year | | | | | |
| (1) Medical loss ratio rebates incurred | $ 30,252,021 | $ - | $ - | $ - | $ 30,252,021 |
| (2) Medical loss ratio rebates paid | 51,195,062 | - | - | - | 51,195,062 |
| (3) Medical loss rebates unpaid | 27,351,881 | - | - | - | 27,351,881 |
| (4) Plus reinsurance assumed amounts | XXX | XXX | XXX | XXX | - |
| (5) Less reinsurance ceded amounts | XXX | XXX | XXX | XXX | - |
| (6) Rebates unpaid net of reinsurance | XXX | XXX | XXX | XXX | 27,351,881 |
| Current Reporting Year-to-Date | | | | | |
| (7) Medical loss ratio rebates incurred | $ 33,914,609 | $ - | $ - | $ - | $ 33,914,609 |
| (8) Medical loss ratio rebates paid | 27,543,982 | - | - | - | 27,543,982 |
| (9) Medical loss rebates unpaid | 33,722,508 | - | - | - | 33,722,508 |
| (10) Plus reinsurance assumed amounts | XXX | XXX | XXX | XXX | - |
| (11) Less reinsurance ceded amounts | XXX | XXX | XXX | XXX | - |
| (12) Rebates unpaid net of reinsurance | XXX | XXX | XXX | XXX | 33,722,508 |

The Company recorded $33,722,508 and $27,351,881 of estimated rebates as of December 31, 2014 and 2013 which are included in provision for experience rating refunds in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

**E. Risk-Sharing Provisions of the Affordable Care Act**

**(1)** The Company has Accident and Health insurance premiums in 2014 subject to the ACA risk-sharing provisions.

Effective January 1, 2014, the ACA imposed fees and premium stabilization provisions on health insurance issuers offering commercial health insurance. The three premium stabilization programs are commonly referred to as the 3Rs – risk adjustment, risk corridors, and reinsurance.

**Risk Adjustment –** The permanent risk adjustment program, designed to mitigate the potential impact of adverse selection and provide stability for health insurance issuers, applies to all non-grandfathered plans not subject to transitional relief in the individual and small group markets both inside and outside of the insurance exchanges. Premium adjustments pursuant to the risk adjustment program are accounted for as premium subject to redetermination and user fees are accounted for as assessments.

**Risk Corridors –** The temporary risk corridors program, designed to provide some aggregate protection against variability for issuers in the individual and small group markets during the period 2014 through 2016, applies to Qualified Health Plans ("QHPs") in the individual and small group markets both inside and outside of the insurance exchanges. Premium adjustments pursuant to the risk corridors program are accounted for as premium adjustments for retrospectively rated contracts.

**Reinsurance –** The transitional reinsurance program was designed to protect issuers in the individual market from an expected increase in large claims due to the elimination of preexisting condition limitations. The transitional reinsurance program is effective from 2014 through 2016 and applies to all issuers of major medical commercial products and third party administrators. Contributions attributable to enrollees in ACA compliant individual plans, including program administrative costs are accounted for as ceded premium and payments received are accounted for as ceded benefit recoveries. The portion of the individual contributions earmarked for the U.S. Treasury is accounted for as an assessment. Contributions made for enrollees in fully insured plans other than ACA compliant individual plans, including program administrative costs and payments to the U.S. Treasury, are treated as assessments.

**(2)** The following table presents the current year impact of risk-sharing provisions of the ACA on assets, liabilities, and revenue:

| | | |
|---|---|---|
| **a. Permanent ACA Risk Adjustment Program** | | **December 31, 2014** |
| Assets | | |
| 1. Premium adjustments receivable due to ACA Risk Adjustment | $ | - |
| Liabilities | | |
| 2. Risk adjustment user fees payable for ACA Risk Adjustment | $ | - |
| 3. Premium adjustments payable due to ACA Risk Adjustment | $ | - |
| Operations (Revenue & Expense) | | |
| 4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment | $ | - |
| 5. Reported in expenses as ACA risk adjustment user fees (incurred/paid) | $ | - |
| **b. Transitional ACA Reinsurance Program** | | |
| Assets | | |
| 1. Amounts recoverable for claims paid due to ACA Reinsurance | $ | - |
| 2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability) | $ | - |
| 3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance | $ | - |
| Liabilities | | |
| 4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium | $ | 26,141,306 |
| 5. Ceded reinsurance premiums payable due to ACA Reinsurance | $ | - |
| 6. Liability for amounts held under uninsured plans contributions for ACA Reinsurance | $ | - |
| Operations (Revenue & Expense) | | |
| 7. Ceded reinsurance premiums due to ACA Reinsurance | $ | - |
| 8. Reinsurance recoveries (income statement) due to ACA reinsurance payments or expected payments | $ | - |
| 9. ACA Reinsurance contributions - not reported as ceded premium | $ | 26,141,306 |
| **c. Temporary ACA Risk Corridors Program** | | |
| Assets | | |
| 1. Accrued retrospective premium due to ACA Risk Corridors | $ | - |
| Liabilities | | |
| 2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors | $ | - |
| Operations (Revenue & Expense) | | |
| 3. Effect of ACA Risk Corridors on net premium income (paid/received) | $ | - |
| 4. Effect of ACA Risk Corridors on change in reserves for rate credits | $ | - |

**(3)** The ACA risk-sharing programs became effective January 1, 2014. As a result, the rollforward of the prior year-end balances related to the ACA risk-sharing provisions for asset and liability balances is not applicable in 2014 and has been excluded.

## 25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

This disclosure only relates to accident and health contracts, the reserve for life contracts, and annuity life contracts are included in a separate disclosure (see Note 31). The disclosure for loss adjustment expenses is included in Note 35.

Changes in estimates related to the prior year incurred claims are included in disability benefits and benefits under accident and health insurance contracts-net in the current year in the statutory basis statements of operations. The following table summarizes changes in aggregate reserves for accident and health contracts and contract claims for accident and health policies for the years ended December 31, 2014 and 2013:

| | 2014 | 2013 |
|---|---|---|
| Unpaid claim reserves for accident and health and contract claims for accident and health policies at January 1 | $ 200,819,322 | $ 197,984,268 |
| Incurred benefits related to: | | |
| Current year | 1,410,781,116 | 1,519,435,063 |
| Prior years | (21,150,451) | (28,435,199) |
| Total incurred | 1,389,630,665 | 1,490,999,864 |
| Paid claims related to: | | |
| Current year | 1,241,112,852 | 1,318,955,723 |
| Prior years | 179,166,062 | 169,209,087 |
| Total paid | 1,420,278,914 | 1,488,164,810 |
| Unpaid claim reserves for accident and health and contract claims for accident and health policies at December 31 | 170,171,073 | 200,819,322 |
| Unearned premium reserve | 69,429,853 | 87,625,948 |
| Active life reserves (Medicare Supplement) | 10,791,976 | 11,810,661 |
| Total aggregate reserves for accident and health and contract claims for accident and health policies | $ 250,392,902 | $ 300,255,931 |

Actual claims incurred in 2014 related to prior years were lower than the contract claims and aggregate reserves for accident and health contracts at December 31, 2013 by $21,150,451. Actual claims incurred in 2013 related to prior years were lower than the contract claims and aggregate reserves for accident and health contracts at December 31, 2011 by $28,435,199. The favorable reserve development resulted primarily from the favorable settlement or outcome of certain claims and ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding medical inflation trends, changes in utilization of health care services, changes in claims submission or payment patterns, and other relevant factors.

## 26. INTERCOMPANY POOLING ARRANGEMENTS

**A–G**. The Company did not have any intercompany pooling arrangements in 2014 or 2013.

## 27. STRUCTURED SETTLEMENTS

**A–B.** The Company did not have structured settlements in 2014 or 2013.

## 28. HEALTH CARE AND OTHER AMOUNTS RECEIVABLE

**A.** Pharmacy rebates receivable are recorded when reasonably estimated or billed by the affiliated pharmaceutical benefit manager in accordance with pharmaceutical rebate contract provisions. Information used to support rebates billed to the manufacturer is based on utilization information gathered by the pharmaceutical benefit manager and adjusted for significant changes in pharmaceutical contract provisions. The Company has excluded receivables that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

The Company evaluates admissibility of all pharmacy rebates receivable based on the administration of each underlying pharmaceutical benefit management agreement. The Company has nonadmitted all pharmacy rebates receivable that do not meet the admissibility criteria from the statutory basis statements of admitted assets, liabilities, and capital and surplus.

For each pharmaceutical management agreement for which a pharmacy rebates receivable can be admitted based on the admissibility criteria, the transaction history of pharmacy rebate is summarized as follows:

| Quarter | Estimated Pharmacy Rebates as Reported on Financial Statements | Pharmacy Rebates as Billed or Otherwise Confirmed | Actual Rebates Received Within 90 Days of Billing | Actual Rebates Received Within 91 to 180 Days of Billing | Actual Rebates Received More than 180 Days after Billing |
|---|---|---|---|---|---|
| 12/31/2014 | $ 5,511,533 | $ - | $ - | $ - | $ - |
| 9/30/2014 | 5,494,920 | 4,605,110 | 2,518,899 | - | - |
| 6/30/2014 | 4,900,735 | 4,621,242 | 2,023,647 | 1,767,997 | - |
| 3/31/2014 | 4,191,564 | 4,516,212 | 674,167 | 1,831,182 | 1,488,130 |
| 12/31/2013 | 892,349 | 697,375 | - | 481,156 | 201,095 |
| 9/30/2013 | 819,378 | 702,782 | - | 181,995 | 511,582 |
| 6/30/2013 | 904,351 | 621,543 | - | 84,811 | 531,698 |
| 3/31/2013 | 638,604 | 615,355 | - | 12,184 | 598,863 |
| 12/31/2012 | 655,537 | 606,666 | - | 343,297 | 260,756 |
| 9/30/2012 | 523,411 | 592,830 | - | - | 581,739 |
| 6/30/2012 | 408,142 | 541,743 | - | 381,274 | 156,243 |
| 3/31/2012 | 248,935 | 461,990 | - | 369,036 | 92,627 |

Of the amount reported as health care receivable, $7,209,268 and $ -0- relates to pharmacy rebates receivable as of December 31, 2014 and 2013, respectively. This increase is primarily due to the change in pharmacy benefit managers resulting in the admission of a portion of the pharmacy rebate receivable.

**B.** The Company does not have any risk-sharing receivables.

## 29. PARTICIPATING POLICIES

The Company did not have any participating contracts in 2014 or 2013.

## 30. PREMIUM DEFICIENCY RESERVES

The Company has not recorded any premium deficiency reserves as of December 31, 2014 or 2013. This analysis of premium deficiency reserves was completed as of December 31, 2014 and 2013. The Company did consider anticipated investment income when calculating the premium deficiency reserves.

The following table summarizes the Company’s premium deficiency reserves as of December 31, 2014 and 2013:

| | 2014 |
|---|---|
| 1. Liability carried for premium deficiency reserves | $ - |
| 2. Date of the most recent evaluation of this liability | 12/31/2014 |
| 3. Was anticipated investment income utilized in this calculation? | Yes [X] No [ ] |

| | 2013 |
|---|---|
| 1. Liability carried for premium deficiency reserves | $ - |
| 2. Date of the most recent evaluation of this liability | 12/31/2013 |
| 3. Was anticipated investment income utilized in this calculation? | Yes [X] No [ ] |

## 31. RESERVES FOR LIFE CONTRACTS AND ANNUITY CONTRACTS

**(1)** The Company waives deduction of deferred fractional premiums upon death of an insured and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves.

**(2)** Extra premiums are charged for substandard lives for life policies, plus the gross premium for a rated age. Mid-terminal reserves are determined by computing the regular mid-terminal reserve for the plan at the rated age and, in addition, holding one-half of the extra premium charge for the year.

**(3)** The Company had $ -0- of insurance in-force at December 31, 2014, for which the gross premiums are less than the net premiums according to the standard valuation set by the State of Indiana. Reserves to cover the above insurance totaled the gross amount of $ -0- at December 31, 2014.

**(4)** Tabular Interest has been determined by formulas as prescribed by the NAIC.

The Tabular Less Actual Reserve Released has been determined by formula as prescribed by the NAIC.

Tabular Cost has been determined by a formula as prescribed by the NAIC.

**(5)** Tabular interest on funds not involving life contingencies is determined by a formula as prescribed by the NAIC.

**(6)** The Company made no other changes to the reserving methodology during 2014.

Pursuant to an indemnity reinsurance agreement the Company cedes all life and annuity business, excluding group life and term life rider business. A ceding commission of $44,430,717, net of tax, was received by the Company in 2005 of which $1,799,190, net of tax, was recognized as ceded commissions in the statutory basis statements of operations during 2014 and 2013, respectively.

The valuation method used for life and annuity policies and contracts at December 31, 2014 and 2013, is as follows:

| | 2014 | 2013 |
|---|---|---|
| 1958 CSO ALB 3% CRVM | $ 2,607,475 | $ 3,402,500 |
| 1958 CSO ALB 4 1/2% CRVM | 20,417,455 | 21,008,197 |
| 1971 IAM 3 1/2 — 8 1/2% | 519,847,731 | 551,985,583 |
| 1983 IAM 5 1/4 — 11% | 1,908,925 | 2,077,830 |
| 1980 CSO 4 1/2 — 5 1/2% CRVM | 1,254,250,018 | 1,259,460,384 |
| Other | 33,257,597 | 34,026,346 |
| Reinsurance credit | (1,831,638,677) | (1,870,841,180) |
| Total aggregate reserves for life contracts and contract claims for life contracts | $ 650,524 | $ 1,119,660 |

Policy reserves have been reduced at December 31, 2014 and 2013, by $1,824,494,707 and $1,862,546,482, respectively, for reinsurance ceded (including reinsurance on annuity and deposit fund liabilities). Claim liabilities, which are included in contract claims - life, have been reduced at December 31, 2014 and 2013, by $9,931,491 and $11,233,993, respectively, for reinsurance ceded.

The Company recognized reinsurance recoveries of $79,479,887 and $87,712,698 in 2014 and 2013, respectively, which are netted against death benefits in the statutory basis statements of operations.

## 32. ANALYSIS OF ANNUITY ACTUARIAL RESERVES AND DEPOSIT-TYPE LIABILITIES BY WITHDRAWAL CHARACTERISTICS

**A–E.** At December 31, 2014 and 2013, total annuity actuarial reserves, deposit-type contract funds, and other liabilities without life or disability contingencies by withdrawal characteristics are as follows:

| | 2014 | | | | |
|---|---|---|---|---|---|
| | **General Account** | **Separate Account with Guarantees** | **Separate Account Nonguaranteed** | **Total** | **% of Total** |
| A. Subject to discretionary withdrawal: | | | | | |
| (1) With fair value adjustment | $ 5,811,942 | $ - | $ - | $ 5,811,942 | 1.1 % |
| (2) At book value less current surrender charge of 5% or more | - | - | - | - | - % |
| (3) At fair value | - | - | - | - | - % |
| (4) Total with adjustment or at fair value (total of 1 through 3) | 5,811,942 | - | - | 5,811,942 | 1.1 % |
| (5) At book value without adjustment (minimal or no charge or adjustment) | 514,151,738 | - | - | 514,151,738 | 98.0 % |
| B. Not subject to discretionary withdrawal | 4,661,476 | - | - | 4,661,476 | - %<br>0.9 % |
| C. Total (gross: direct + assumed) | 524,625,156 | - | - | 524,625,156 | 100.0 % |
| D. Reinsurance ceded | 524,625,156 | - | - | 524,625,156 | |
| E. Total (net) (C) - (D) | $ - | $ - | $ - | $ - | |

| | 2013 | | | | |
|---|---|---|---|---|---|
| | **General Account** | **Separate Account with Guarantees** | **Separate Account Nonguaranteed** | **Total** | **% of Total** |
| A. Subject to discretionary withdrawal: | | | | | |
| (1) With fair value adjustment | $ 5,895,189 | $ - | $ - | $ 5,895,189 | 1.1 % |
| (2) At book value less current surrender charge of 5% or more | 10,510,824 | - | - | 10,510,824 | 1.9 % |
| (3) At fair value | - | - | - | - | - % |
| (4) Total with adjustment or at fair value (total of 1 through 3) | 16,406,013 | - | - | 16,406,013 | 2.9 % |
| (5) At book value without adjustment (minimal or no charge or adjustment) | 533,660,856 | - | - | 533,660,856 | 95.8 % |
| B. Not subject to discretionary withdrawal | 7,020,196 | - | - | 7,020,196 | - %<br>1.3 % |
| C. Total (gross: direct + assumed) | 557,087,065 | - | - | 557,087,065 | 100.0 % |
| D. Reinsurance ceded | 557,087,065 | - | - | 557,087,065 | |
| E. Total (net) (C) - (D) | $ - | $ - | $ - | $ - | |

**F.** A reconciliation of annuity reserves and deposit fund liabilities to Aggregate Reserves for Life Policies and Contracts Exhibit and Deposit Funds and Other Liabilities without Life or Disability Contingencies Exhibit, of the Life, Accident and Health Annual Statement and the corresponding lines in the Separate Accounts Statement, are as follows:

| | 2014 | 2013 |
|---|---|---|
| Life Accident & Health Annual Statement | | |
| 1. Exhibit 5, Annuities Section, Total (net) | $ - | $ - |
| 2. Exhibit 5, Supplementary Contracts with Life Contingencies Section, Total (net) | - | - |
| 3. Exhibit 7, Deposit-Type Contracts, Line 14, Column 1 | - | - |
| 4. Subtotal | - | - |
| Separate Accounts Annual Statement | | |
| 5. Exhibit 3, Line 0299999, Column 2 | - | - |
| 6. Exhibit 3, Line 0399999, Column 2 | - | - |
| 7. Policyholder dividend and coupon accumulations | - | - |
| 8. Policyholder premiums | - | - |
| 9. Guaranteed interest contracts | - | - |
| 10. Other contract deposit funds | - | - |
| 11. Subtotal | - | - |
| 12. Combined Total | $ - | $ - |

**G.** **FHLB (Federal Home Loan Bank) Agreements —** Not applicable.

## 33. PREMIUM AND ANNUITY CONSIDERATIONS DEFERRED AND UNCOLLECTED

**A.** Deferred and uncollected group life insurance premiums, gross and net of loading, were as follows:

| | 2014 | |
|---|---|---|
| **Type** | **Gross** | **Net of Loading** |
| (1) Industrial | $ - | $ - |
| (2) Ordinary new business | 862 | 718 |
| (3) Ordinary renewal | 2,957 | 2,847 |
| (4) Credit life | - | - |
| (5) Group life | 21,954 | 21,318 |
| (6) Group Annuity | - | - |
| (7) Totals | $ 25,773 | $ 24,883 |

| | 2013 | |
|---|---|---|
| **Type** | **Gross** | **Net of Loading** |
| (1) Industrial | $ - | $ - |
| (2) Ordinary new business | 1,669 | 1,391 |
| (3) Ordinary renewal | 2,734 | 2,633 |
| (4) Credit life | - | - |
| (5) Group life | 33,685 | 32,708 |
| (6) Group Annuity | - | - |
| (7) Totals | $ 38,088 | $ 36,732 |

## 34. SEPARATE ACCOUNTS

**A–C.** The Company does not have separate account business as of December 31, 2014 and 2013.

## 35. LOSS/CLAIM ADJUSTMENT EXPENSES

The following table summarizes changes in unpaid claims adjustment expenses for the years ended December 31, 2014 and 203, which are included in general expenses due and accrued in the statutory basis statements of admitted assets, liabilities, and capital and surplus:

| | 2014 | 2013 |
|---|---|---|
| Unpaid claims adjustment expenses — January 1 | $ 3,630,345 | $ 4,779,357 |
| Incurred claims adjustment expenses related to: | | |
| Current year | 26,297,716 | 27,467,852 |
| Prior years | (281,222) | (1,714,305) |
| Total incurred | 26,016,494 | 25,753,547 |
| Paid claims adjustment expenses related to: | | |
| Current year | 23,135,009 | 23,843,652 |
| Prior years | 3,339,751 | 3,058,907 |
| Total paid | 26,474,760 | 26,902,559 |
| Unpaid claims adjustment expenses — December 31 | $ 3,172,079 | $ 3,630,345 |

Due to the type of business being written with these licenses, the Company has no salvage. As of December 31, 2014 and 2013, the Company had no specific accruals established for outstanding subrogation, as it is considered a component of the actuarial calculations used to develop the estimates of incurred but not yet reported claims.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES
## GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
If yes, complete Schedule Y, Parts 1, 1A and 2

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]

1.3 State Regulating? Indiana

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2012

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2012

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 04/09/2014

3.4 By what department or departments?
Indiana

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [ X ] No [ ] N/A [ ]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ X ] No [ ] N/A [ ]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [ ] No [ X ]
4.12 renewals? Yes [ ] No [ X ]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [ ] No [ X ]
4.22 renewals? Yes [ ] No [ X ]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---|---|---|
| | | |

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [ X ]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [ X ]

7.2 If yes,
7.21 State the percentage of foreign control; %
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

| 1<br>Nationality | 2<br>Type of Entity |
|---|---|
| | |

# GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [ X ]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ X ] No [ ]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>FDIC | 6<br>SEC |
|---|---|---|---|---|---|
| Optum Bank, Inc. | Salt Lake City, Utah | | | YES | |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Baker Tilly Virchow Krause LLP, Minneapolis, MN

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [ X ]

10.2 If the response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [ X ]

10.4 If the response to 10.3 is yes, provide information related to this exemption:

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [ X ] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Timothy Allen Luker, FSA MAAA, Director, Actuarial, UnitedHealth Group, 3100 AMS Blvd, Green Bay, WI 54313

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [ X ]

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value $

12.2 If, yes provide explanation:

13. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [ X ] No [ ]

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

14.11 If the response to 14.1 is No, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [ X ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [ X ]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

# GENERAL INTERROGATORIES

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [ X ]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

| 1<br>American Bankers Association (ABA) Routing Number | 2<br>Issuing or Confirming Bank Name | 3<br>Circumstances That Can Trigger the Letter of Credit | 4<br>Amount |
|---|---|---|---|
| | | | |

## BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [ X ] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [ X ] No [ ]

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [ X ] No [ ]

## FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [ X ]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers $ 0
- 20.12 To stockholders not officers $ 0
- 20.13 Trustees, supreme or grand (Fraternal Only) $ 0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers $ 0
- 20.22 To stockholders not officers $ 0
- 20.23 Trustees, supreme or grand (Fraternal Only) $ 0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [ X ]

21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others $
- 21.22 Borrowed from others $
- 21.23 Leased from others $
- 21.24 Other $

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ X ] No [ ]

22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment $ 0
- 22.22 Amount paid as expenses $ 3,288,856
- 22.23 Other amounts paid $ 0

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ X ] No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

## INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes [ X ] No [ ]

24.02 If no, give full and complete information relating thereto

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)

24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [ X ]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $

24.06 If answer to 24.04 is no, report amount of collateral for other programs. $

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [ X ]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [ X ]

24.09 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [ X ]

# GENERAL INTERROGATORIES

24.10 For the reporting entity's security lending program state the amount of the following as December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. $ 0
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $ 0
24.103 Total payable for securities lending reported on the liability page. $ 0

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes [ X ] No [ ]

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements $
25.22 Subject to reverse repurchase agreements $
25.23 Subject to dollar repurchase agreements $
25.24 Subject to reverse dollar repurchase agreements $
25.25 Placed under option agreements $
25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock $
25.27 FHLB Capital Stock $
25.28 On deposit with states $ 4,282,941
25.29 On deposit with other regulatory bodies $
25.30 Pledged as collateral - excluding collateral pledged to an FHLB $
25.31 Pledged as collateral to FHLB - including assets backing funding agreements $
25.32 Other $

25.3 For category (25.26) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|---|---|---|
| | | |

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [ X ]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [ X ]
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [ X ]

27.2 If yes, state the amount thereof at December 31 of the current year. $

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s) | 2<br>Custodian's Address |
|---|---|
| Bank of New York Mellon | Global Liquidity Services, 1 Wall Street, 14th Floor, New York, NY 10286 |
| Northern Trust | 50 S. LaSalle, Chicago, IL 60675 |
| | |

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|---|---|---|
| | | |

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [ X ]
28.04 If yes, give full and complete information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|---|---|---|---|
| | | | |

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Central Registration Depository Number(s) | 2<br>Name | 3<br>Address |
|---|---|---|
| 107038 | JP Morgan Investment Management, Inc. | 245 Park Avenue, New York, NY 10167 |
| 113972 | Standish Mellon Asset Management Company | 201 Washington Street, Suite 2900, Boston, MA 02108-4408 |
| | | |

# GENERAL INTERROGATORIES

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [ ] No [ X ]

29.2 If yes, complete the following schedule:

| 1<br>CUSIP # | 2<br>Name of Mutual Fund | 3<br>Book/Adjusted Carrying Value |
|---|---|---|
| 29.2999 - Total | | 0 |

29.3 For each mutual fund listed in the table above, complete the following schedule:

| 1<br>Name of Mutual Fund (from above table) | 2<br>Name of Significant Holding of the Mutual Fund | 3<br>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4<br>Date of Valuation |
|---|---|---|---|
| | | | |

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

| | 1<br>Statement (Admitted) Value | 2<br>Fair Value | 3<br>Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|---|---|---|---|
| 30.1 Bonds | 638,506,962 | 648,933,138 | 10,426,176 |
| 30.2 Preferred stocks | 0 | | 0 |
| 30.3 Totals | 638,506,962 | 648,933,138 | 10,426,176 |

30.4 Describe the sources or methods utilized in determining the fair values:

For those securities that had prices in the NAIC SVO ISIS database, those prices were used; for those securities that did not have prices in the NAIC SVO ISIS database, pricing was obtained from HUB which is an external data sources vendor. HUB utilizes various pricing sources.

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ ] No [ X ]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ ] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [ X ] No [ ]

32.2 If no, list exceptions:

# GENERAL INTERROGATORIES

## OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 35,800

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|---|---|
| A.M. Best Company, Inc. | 35,800 |
| | |

34.1 Amount of payments for legal expenses, if any? $ 0

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|---|---|
| | |

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 0

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|---|---|
| | |

# GENERAL INTERROGATORIES

## PART 2 - LIFE INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ X ] No [ ]

1.2 If yes, indicate premium earned on U.S. business only $ 28,034,165

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $ 0

1.31 Reason for excluding:

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. $ 0

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ 19,801,096

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $ 0
1.62 Total incurred claims $ 0
1.63 Number of covered lives 0

All years prior to most current three years

1.64 Total premium earned $ 28,034,165
1.65 Total incurred claims $ 19,801,096
1.66 Number of covered lives 10,008

1.7 Group policies:

Most current three years:

1.71 Total premium earned $ 0
1.72 Total incurred claims $ 0
1.73 Number of covered lives 0

All years prior to most current three years

1.74 Total premium earned $ 0
1.75 Total incurred claims $ 0
1.76 Number of covered lives 0

2. Health Test:

| | | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|---|
| 2.1 | Premium Numerator | 1,846,679,206 | 1,991,759,948 |
| 2.2 | Premium Denominator | 1,850,627,213 | 2,020,590,085 |
| 2.3 | Premium Ratio (2.1/2.2) | 0.998 | 0.986 |
| 2.4 | Reserve Numerator | 235,705,931 | 284,257,090 |
| 2.5 | Reserve Denominator | 251,043,312 | 301,375,477 |
| 2.6 | Reserve Ratio (2.4/2.5) | 0.939 | 0.943 |

3.1 Does this reporting entity have Separate Accounts? Yes [ ] No [ X ]

3.2 If yes, has a Separate Accounts Statement been filed with this Department? Yes [ ] No [ ] N/A [ X ]

3.3 What portion of capital and surplus funds of the reporting entity covered by assets in the Separate Accounts statement, is not currently distributable from the Separate Accounts to the general account for use by the general account? $

3.4 State the authority under which Separate Accounts are maintained:

3.5 Was any of the reporting entity's Separate Accounts business reinsured as of December 31? Yes [ ] No [ ]

3.6 Has the reporting entity assumed by reinsurance any Separate Accounts business as of December 31? Yes [ ] No [ ]

3.7 If the reporting entity has assumed Separate Accounts business, how much, if any, reinsurance assumed receivable for reinsurance of Separate Accounts reserve expense allowances is included as a negative amount in the liability for "Transfers to Separate Accounts due or accrued (net)"?

4.1 Are personnel or facilities of this reporting entity used by another entity or entities or are personnel or facilities of another entity or entities used by this reporting entity (except for activities such as administration of jointly underwritten group contracts and joint mortality or morbidity studies)? Yes [ X ] No [ ]

4.2 Net reimbursement of such expenses between reporting entities:

4.21 Paid $ 167,528,848
4.22 Received $ 0

5.1 Does the reporting entity write any guaranteed interest contracts? Yes [ ] No [ X ]

5.2 If yes, what amount pertaining to these lines is included in:

5.21 Page 3, Line 1 $
5.22 Page 4, Line 1 $

6. FOR STOCK REPORTING ENTITIES ONLY:

6.1 Total amount paid in by stockholders as surplus funds since organization of the reporting entity: $ 14,162,016

7. Total dividends paid stockholders since organization of the reporting entity:

7.11 Cash $ 1,862,924,559
7.12 Stock $ 15,968,954

# GENERAL INTERROGATORIES

8.1 Does the company reinsure any Workers' Compensation Carve-Out business defined as: Yes [ ] No [ X ]

Reinsurance (including retrocessional reinsurance) assumed by life and health insurers of medical, wage loss and death benefits of the occupational illness and accident exposures, but not the employers liability exposures, of business originally written as workers' compensation insurance.

8.2 If yes, has the reporting entity completed the Workers' Compensation Carve-Out Supplement to the Annual Statement? Yes [ ] No [ X ]

8.3 If 8.1 is yes, the amounts of earned premiums and claims incurred in this statement are:

| | | 1<br>Reinsurance<br>Assumed | 2<br>Reinsurance<br>Ceded | 3<br>Net<br>Retained |
|---|---|---|---|---|
| 8.31 | Earned premium | | | 0 |
| 8.32 | Paid claims | | | 0 |
| 8.33 | Claim liability and reserve (beginning of year) | | | 0 |
| 8.34 | Claim liability and reserve (end of year) | | | 0 |
| 8.35 | Incurred claims | 0 | 0 | 0 |

8.4 If reinsurance assumed included amounts with attachment points below $1,000,000, the distribution of the amounts reported in Lines 8.31 and 8.34 for Column (1) are:

| | Attachment<br>Point | 1<br>Earned<br>Premium | 2<br>Claim Liability<br>and Reserve |
|---|---|---|---|
| 8.41 | <$25,000 | | |
| 8.42 | $25,000 - 99,999 | | |
| 8.43 | $100,000 - 249,999 | | |
| 8.44 | $250,000 - 999,999 | | |
| 8.45 | $1,000,000 or more | | |

8.5 What portion of earned premium reported in 8.31, Column 1 was assumed from pools? $

9.1 Does the company have variable annuities with guaranteed benefits? Yes [ ] No [ X ]

9.2 If 9.1 is yes, complete the following table for each type of guaranteed benefit.

| Type | | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|
| 1<br>Guaranteed<br>Death Benefit | 2<br>Guaranteed<br>Living Benefit | Waiting<br>Period<br>Remaining | Account Value<br>Related to Col. 3 | Total Related<br>Account Values | Gross Amount<br>of Reserve | Location of<br>Reserve | Portion<br>Reinsured | Reinsurance<br>Reserve Credit |
| | | | | | | | | |

10. For reporting entities having sold annuities to another insurer where the insurer purchasing the annuities has obtained a release of liability from the claimant (payee) as the result of the purchase of an annuity from the reporting entity only:

10.1 Amount of loss reserves established by these annuities during the current year: $

10.2 List the name and location of the insurance company purchasing the annuities and the statement value on the purchase date of the annuities.

| 1<br>P&C Insurance Company And Location | 2<br>Statement Value<br>on Purchase Date<br>of Annuities<br>(i.e., Present Value) |
|---|---|
| | |

11.1 Do you act as a custodian for health savings accounts? Yes [ ] No [ X ]

11.2 If yes, please provide the amount of custodial funds held as of the reporting date. $

11.3 Do you act as an administrator for health savings accounts? Yes [ ] No [ X ]

11.4 If yes, please provide the balance of funds administered as of the reporting date. $

# GENERAL INTERROGATORIES

12.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes [ ] No [ ] N/A [ X ]

12.2 If the answer to 12.1 is yes, please provide the following:

| 1 | 2 | 3 | 4 | Assets Supporting Reserve Credit | | |
|---|---|---|---|---|---|---|
| | | | | 5 | 6 | 7 |
| Company Name | NAIC Company Code | Domiciliary Jurisdiction | Reserve Credit | Letters of Credit | Trust Agreements | Other |
| | | | | | | |

13. Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded):

13.1 Direct Premium Written $ 35,618,511

13.2 Total Incurred Claims $ 60,390,531

13.3 Number of Covered Lives 37,304

| *Ordinary Life Insurance Includes |
|---|
| Term (whether full underwriting,limited underwriting,jet issue,"short form app") |
| Whole Life (whether full underwriting,limited underwriting,jet issue,"short form app") |
| Variable Life (with or without secondary gurarantee) |
| Universal Life (with or without secondary gurarantee) |
| Variable Universal Life (with or without secondary gurarantee) |

# FIVE-YEAR HISTORICAL DATA

**Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.**
**Show amounts of life insurance in this exhibit in thousands (OMIT $000)**

| | | 1<br>2014 | 2<br>2013 | 3<br>2012 | 4<br>2011 | 5<br>2010 |
|---|---|---|---|---|---|---|
| | **Life Insurance in Force** | | | | | |
| | (Exhibit of Life Insurance) | | | | | |
| 1. | Ordinary - whole life and endowment (Line 34, Col. 4) | 1,859,418 | 2,130,536 | 2,011,597 | 2,094,335 | 2,079,248 |
| 2. | Ordinary - term (Line 21, Col. 4, less Line 34, Col. 4) | 4,005,584 | 4,259,544 | 4,860,162 | 5,264,167 | 5,581,946 |
| 3. | Credit life (Line 21, Col. 6) | 0 | 0 | 0 | 0 | 0 |
| 4. | Group, excluding FEGLI/SGLI (Line 21, Col. 9 less Lines 43 & 44, Col. 4) | 986,321 | 1,584,566 | 1,419,241 | 1,770,513 | 1,324,542 |
| 5. | Industrial (Line 21, Col. 2) | 0 | 0 | 0 | 0 | 0 |
| 6. | FEGLI/SGLI (Lines 43 & 44, Col. 4) | 0 | 0 | 0 | 0 | 0 |
| 7. | Total (Line 21, Col. 10) | 6,851,323 | 7,974,645 | 8,291,000 | 9,129,015 | 8,985,735 |
| | **New Business Issued** | | | | | |
| | (Exhibit of Life Insurance) | | | | | |
| 8. | Ordinary - whole life and endowment (Line 34, Col. 2) | | | | | |
| 9. | Ordinary - term (Line 2, Col. 4, less Line 34, Col. 2) | 0 | 105,300 | 93,892 | 160,500 | 196,018 |
| 10. | Credit life (Line 2, Col. 6) | 0 | 0 | 0 | 0 | 0 |
| 11. | Group (Line 2, Col. 9) | 0 | 859,462 | 771,250 | 1,134,090 | 1,122,167 |
| 12. | Industrial (Line 2, Col. 2) | 0 | 0 | 0 | 0 | 0 |
| 13. | Total (Line 2, Col. 10) | 0 | 964,762 | 865,142 | 1,294,590 | 1,318,185 |
| | **Premium Income - Lines of Business** | | | | | |
| | (Exhibit 1 - Part 1) | | | | | |
| 14. | Industrial life (Line 20.4, Col. 2) | 0 | 0 | 0 | 0 | 0 |
| 15.1 | Ordinary-life insurance (Line 20.4, Col. 3) | 205,966 | 218,442 | 178,861 | 202,403 | 221,137 |
| 15.2 | Ordinary-individual annuities (Line 20.4, Col. 4) | 0 | 0 | 0 | 0 | 0 |
| 16 | Credit life (group and individual) (Line 20.4, Col. 5) | 0 | 0 | 0 | 0 | 0 |
| 17.1 | Group life insurance (Line 20.4, Col. 6) | 1,897,717 | 2,070,371 | 1,693,413 | 1,558,852 | 1,565,642 |
| 17.2 | Group annuities (Line 20.4, Col. 7) | 0 | 0 | 0 | 0 | 0 |
| 18.1 | A & H-group (Line 20.4, Col. 8) | 1,562,647,414 | 1,700,974,088 | 1,575,397,485 | 1,398,843,367 | 1,317,984,401 |
| 18.2 | A & H-credit (group and individual) (Line 20.4, Col. 9) | 0 | 0 | 0 | 0 | 0 |
| 18.3 | A & H-other (Line 20.4, Col. 10) | 285,876,117 | 317,327,184 | 302,209,947 | 272,842,707 | 246,523,251 |
| 19. | Aggregate of all other lines of business (Line 20.4,Col. 11) | 0 | 0 | 0 | 0 | 0 |
| 20. | Total | 1,850,627,213 | 2,020,590,085 | 1,879,479,707 | 1,673,447,329 | 1,566,294,431 |
| | **Balance Sheet (Pages 2 & 3)** | | | | | |
| 21. | Total admitted assets excluding Separate Accounts business (Page 2, Line 26, Col. 3) | 718,208,451 | 759,785,315 | 782,483,247 | 814,867,949 | 694,018,764 |
| 22. | Total liabilities excluding Separate Accounts business (Page 3, Line 26) | 405,025,824 | 466,290,127 | 490,190,818 | 502,784,368 | 389,221,413 |
| 23. | Aggregate life reserves (Page 3, Line 1) | 50,631 | 75,941 | 72,011 | 69,379 | 69,395 |
| 24. | Aggregate A & H reserves (Page 3, Line 2) | 84,122,300 | 103,632,834 | 97,875,084 | 96,948,538 | 91,699,770 |
| 25. | Deposit-type contract funds (Page 3, Line 3) | 0 | 0 | 0 | 0 | 0 |
| 26. | Asset valuation reserve (Page 3, Line 24.01) | 2,142,677 | 1,899,581 | 1,592,614 | 1,198,270 | 798,830 |
| 27. | Capital (Page 3, Lines 29 and 30) | 3,262,704 | 3,262,704 | 3,262,704 | 3,262,704 | 3,262,704 |
| 28. | Surplus (Page 3, Line 37) | 309,919,923 | 290,232,484 | 289,029,725 | 308,820,877 | 301,534,647 |
| | **Cash Flow (Page 5)** | | | | | |
| 29. | Net Cash from Operations (Line 11) | 54,457,480 | 113,024,648 | 118,935,046 | 200,120,367 | 239,330,190 |
| | **Risk-Based Capital Analysis** | | | | | |
| 30. | Total adjusted capital | 315,325,304 | 295,394,769 | 293,885,043 | 313,281,851 | 305,596,181 |
| 31. | Authorized control level risk - based capital | 61,690,621 | 71,136,905 | 58,423,675 | 38,853,366 | 46,709,736 |
| | **Percentage Distribution of Cash, Cash Equivalents and Invested Assets** | | | | | |
| | (Page 2, Col. 3) (Line No. /Page 2, Line 12, Col. 3) x 100.0 | | | | | |
| 32. | Bonds (Line 1) | 86.6 | 85.7 | 78.2 | 73.7 | 68.4 |
| 33. | Stocks (Lines 2.1 and 2.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 34. | Mortgage loans on real estate(Lines 3.1 and 3.2 ) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 35. | Real estate (Lines 4.1, 4.2 and 4.3) | 0.5 | 0.5 | 0.6 | 0.6 | 0.7 |
| 36. | Cash, cash equivalents and short-term investments (Line 5) | 10.0 | 10.6 | 18.0 | 25.8 | 30.9 |
| 37. | Contract loans (Line 6) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 38. | Derivatives (Page 2, Line 7) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 39. | Other invested assets (Line 8) | 3.0 | 3.2 | 3.2 | 0.0 | 0.0 |
| 40. | Receivables for securities (Line 9) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 41. | Securities lending reinvested collateral assets (Line 10) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 42. | Aggregate write-ins for invested assets (Line 11) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 43. | Cash, cash equivalents and invested assets (Line 12) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

# FIVE-YEAR HISTORICAL DATA

**(Continued)**

| | 1<br>2014 | 2<br>2013 | 3<br>2012 | 4<br>2011 | 5<br>2010 |
|---|---|---|---|---|---|
| **Investments in Parent, Subsidiaries and Affiliates** | | | | | |
| 44. Affiliated bonds (Schedule D Summary, Line 12, Col. 1) | | | | 0 | 0 |
| 45. Affiliated preferred stocks (Schedule D Summary, Line 18, Col. 1) | | 0 | | | |
| 46. Affiliated common stocks (Schedule D Summary Line 24, Col. 1), | | | | | |
| 47. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10) | 0 | 0 | 0 | 0 | 0 |
| 48. Affiliated mortgage loans on real estate | | | | | |
| 49. All other affiliated | | | | | |
| 50. Total of above Lines 44 to 49 | 0 | 0 | 0 | 0 | 0 |
| 51. Total Investment in Parent included in Lines 44 to 49 above | | | | | |
| **Total Nonadmitted and Admitted Assets** | | | | | |
| 52. Total nonadmitted assets (Page 2, Line 28, Col. 2) | 13,158,171 | 33,140,408 | 29,015,753 | 32,350,818 | 35,646,656 |
| 53. Total admitted assets (Page 2, Line 28, Col. 3) | 718,208,451 | 759,785,315 | 782,483,247 | 814,867,949 | 694,018,764 |
| **Investment Data** | | | | | |
| 54. Net investment income (Exhibit of Net Investment Income) | 11,737,231 | 12,874,883 | 15,920,980 | 15,961,240 | 16,325,155 |
| 55. Realized capital gains (losses) (Page 4, Line 34, Column 1 ) | (98,106) | (13,872) | (48,451) | (245,642) | 944,469 |
| 56. Unrealized capital gains (losses) (Page 4, Line 38, Column 1) | | | | | 0 |
| 57. Total of above Lines 54, 55 and 56 | 11,639,125 | 12,861,011 | 15,872,529 | 15,715,598 | 17,269,624 |
| **Benefits and Reserve Increases (Page 6)** | | | | | |
| 58. Total contract benefits - life (Lines 10, 11, 12, 13, 14 and 15 Col. 1, minus Lines 10, 11,12, 13, 14 and 15 Cols. 9, 10 and 11) | 461,296 | 1,036,481 | 621,744 | 868,330 | 570,386 |
| 59. Total contract benefits - A & H (Lines 13 & 14, Cols. 9, 10 & 11) | 1,389,926,418 | 1,490,596,658 | 1,341,538,525 | 1,186,296,035 | 915,571,795 |
| 60. Increase in life reserves - other than group and annuities (Line 19, Cols. 2 and 3 ) | (3,487) | 204 | (1,439) | (3,063) | 2,653 |
| 61. Increase in A & H reserves (Line 19, Cols. 9, 10 & 11) | (19,510,534) | 5,757,751 | 926,546 | 5,248,768 | 8,468,693 |
| 62. Dividends to policyholders (Line 30, Col. 1) | 0 | 0 | 0 | 0 | 0 |
| **Operating Percentages** | | | | | |
| 63. Insurance expense percent (Page 6, Col. 1, Lines 21, 22 & 23, less Line 6)/(Page 6, Col. 1, Line 1 plus Exhibit 7, Col. 2, Line 2) x 100.0 | 14.1 | 14.5 | 16.5 | 17.5 | 20.0 |
| 64. Lapse percent (ordinary only) [(Exhibit of Life Insurance, Col. 4, Lines 14 & 15) / 1/2 (Exhibit of Life Insurance, Col. 4, Lines 1 & 21)] x 100.0 | 7.8 | 7.9 | 6.0 | 5.8 | 7.3 |
| 65. A & H loss percent (Schedule H, Part 1, Lines 5 and 6, Col. 2) | 75.3 | 75.0 | 72.5 | 72.3 | 60.0 |
| 66. A & H cost containment percent (Schedule H, Pt. 1, Line 4, Col. 2) | 0.9 | 0.9 | 1.0 | 1.1 | 1.2 |
| 67. A & H expense percent excluding cost containment expenses (Schedule H, Pt. 1, Line 10, Col. 2) | 18.5 | 16.0 | 18.2 | 19.2 | 21.5 |
| **A & H Claim Reserve Adequacy** | | | | | |
| 68. Incurred losses on prior years' claims - group health (Schedule H, Part 3, Line 3.1 Col. 2) | 153,356,019 | 145,079,063 | 128,366,280 | 112,859,481 | 86,757,863 |
| 69. Prior years' claim liability and reserve - group health (Schedule H, Part 3, Line 3.2 Col. 2) | 170,904,095 | 164,675,646 | 150,379,754 | 127,926,122 | 117,945,352 |
| 70. Incurred losses on prior years' claims-health other than group (Schedule H, Part 3, Line 3.1 Col. 1 less Col. 2) | 26,312,738 | 24,469,894 | 24,965,289 | 24,500,359 | 19,314,007 |
| 71. Prior years' claim liability and reserve-health other than group (Schedule H, Part 3, Line 3.2 Col. 1 less Col. 2) | 29,915,114 | 33,308,509 | 28,270,134 | 25,314,438 | 24,553,574 |
| **Net Gains From Operations After Federal Income Taxes by Lines of Business (Page 6, Line 33)** | | | | | |
| 72. Industrial life (Col. 2) | 0 | 0 | 0 | 0 | 0 |
| 73. Ordinary - life (Col. 3) | 1,653,195 | 1,309,528 | 1,260,166 | 1,150,884 | 1,089,686 |
| 74. Ordinary - individual annuities (Col. 4) | 751,548 | 719,677 | 719,676 | 719,676 | 719,676 |
| 75. Ordinary-supplementary contracts (Col. 5) | 0 | 0 | | 0 | 0 |
| 76. Credit life (Col. 6) | 0 | 0 | 0 | 0 | 0 |
| 77. Group life (Col. 7) | 477,582 | 165,098 | 325,011 | (476,585) | 255,548 |
| 78. Group annuities (Col. 8) | 0 | 0 | 0 | 0 | 0 |
| 79. A & H-group (Col. 9) | 53,295,465 | 95,371,463 | 96,699,308 | 82,402,520 | 179,590,328 |
| 80. A & H-credit (Col. 10) | 0 | 0 | 0 | 0 | 0 |
| 81. A & H-other (Col. 11) | 20,581,197 | 31,838,436 | 28,690,748 | 21,089,980 | 21,049,431 |
| 82. Aggregate of all other lines of business (Col. 12) | 0 | 0 | 0 | 0 | 0 |
| 83. Total (Col. 1) | 76,758,986 | 129,404,202 | 127,694,909 | 104,886,476 | 202,704,670 |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [ ]

If no, please explain:

# EXHIBIT OF LIFE INSURANCE

| | Industrial | | Ordinary | | Credit Life (Group and Individual) | | Group | | | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of | | | |
| | 1<br>Number of Policies | 2<br>Amount of Insurance (a) | 3<br>Number of Policies | 4<br>Amount of Insurance (a) | 5<br>Number of Individual Policies and Group Certificates | 6<br>Amount of Insurance (a) | 7<br>Policies | 8<br>Certificates | 9<br>Amount of Insurance (a) | Total Amount of Insurance (a) |
| 1. In force end of prior year | 0 | 0 | 40,892 | 6,390,079 | 0 | 0 | 145 | 15,458 | 1,584,566 | 7,974,645 |
| 2. Issued during year | | 0 | 0 | 0 | | 0 | | | 0 | 0 |
| 3. Reinsurance assumed | | | | | | | | | | 0 |
| 4. Revived during year | | | 28 | 6,233 | | | | | | 6,233 |
| 5. Increased during year (net) | | | 97 | 10,611 | | | 2 | 470 | 46,907 | 57,518 |
| 6. Subtotals, Lines 2 to 5 | 0 | 0 | 125 | 16,844 | 0 | 0 | 2 | 470 | 46,907 | 63,751 |
| 7. Additions by dividends during year | XXX | | XXX | | XXX | | XXX | XXX | | 0 |
| 8. Aggregate write-ins for increases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9. Totals (Lines 1 and 6 to 8) | 0 | 0 | 41,017 | 6,406,923 | 0 | 0 | 147 | 15,928 | 1,631,473 | 8,038,396 |
| Deductions during year: | | | | | | | | | | |
| 10. Death | | | 659 | 46,792 | | | XXX | 19 | 1,335 | 48,127 |
| 11. Maturity | | | 23 | 309 | | | XXX | | | 309 |
| 12. Disability | | | 0 | 0 | | | XXX | | | 0 |
| 13. Expiry | | | 18 | 182 | | | | | | 182 |
| 14. Surrender | | | 543 | 55,377 | | | | | | 55,377 |
| 15. Lapse | | | 2,431 | 422,330 | | | 9 | 6,282 | 643,817 | 1,066,147 |
| 16. Conversion | | | 19 | 2,969 | | | XXX | XXX | XXX | 2,969 |
| 17. Decreased (net) | | | 0 | 13,962 | | | | | | 13,962 |
| 18. Reinsurance | | | | | | | | | | 0 |
| 19. Aggregate write-ins for decreases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20. Totals (Lines 10 to 19) | 0 | 0 | 3,693 | 541,921 | 0 | 0 | 9 | 6,301 | 645,152 | 1,187,073 |
| 21. In force end of year (Line 9 minus Line 20) | 0 | 0 | 37,324 | 5,865,002 | 0 | 0 | 138 | 9,627 | 986,321 | 6,851,323 |
| 22. Reinsurance ceded end of year | XXX | | XXX | 5,795,382 | XXX | | XXX | XXX | 287,558 | 6,082,940 |
| 23. Line 21 minus Line 22 | XXX | 0 | XXX | 69,620 | XXX | (b) 0 | XXX | XXX | 698,763 | 768,383 |
| **DETAILS OF WRITE-INS** | | | | | | | | | | |
| 0801. | | | | | | | | | | |
| 0802. | | | | | | | | | | |
| 0803. | | | | | | | | | | |
| 0898. Summary of remaining write-ins for Line 8 from overflow page. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0899. TOTALS (Lines 0801 thru 0803 plus 0898) (Line 8 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1901. | | | | | | | | | | |
| 1902. | | | | | | | | | | |
| 1903. | | | | | | | | | | |
| 1998. Summary of remaining write-ins for Line 19 from overflow page. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1999. TOTALS (Lines 1901 thru 1903 plus 1998) (Line 19 above) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(a) Amounts of life insurance in this exhibit shall be shown in thousands (omit 000)

(b) Group $ ; Individual $

# EXHIBIT OF LIFE INSURANCE (Continued)

### ADDITIONAL INFORMATION ON INSURANCE IN FORCE END OF YEAR

| | Industrial | | Ordinary | |
|---|---|---|---|---|
| | 1<br>Number of Policies | 2<br>Amount of Insurance (a) | 3<br>Number of Policies | 4<br>Amount of Insurance (a) |
| 24. Additions by dividends | XXX | | XXX | 292 |
| 25. Other paid-up insurance | | | 10,296 | 1,069,588 |
| 26. Debit ordinary insurance | XXX | XXX | | |

### ADDITIONAL INFORMATION ON ORDINARY INSURANCE

| | Issued During Year (Included in Line 2) | | In Force End of Year (Included in Line 21) | |
|---|---|---|---|---|
| Term Insurance Excluding Extended Term Insurance | 1<br>Number of Policies | 2<br>Amount of Insurance (a) | 3<br>Number of Policies | 4<br>Amount of Insurance (a) |
| 27. Term policies - decreasing | | | 271 | 1,287 |
| 28. Term policies - other | 0 | 0 | 18,410 | 4,003,087 |
| 29. Other term insurance - decreasing | XXX | | XXX | |
| 30. Other term insurance | XXX | | XXX | |
| 31. Totals (Lines 27 to 30) | 0 | 0 | 18,681 | 4,004,374 |
| Reconciliation to Lines 2 and 21: | | | | |
| 32. Term additions | XXX | | XXX | |
| 33. Totals, extended term insurance | XXX | XXX | 326 | 1,210 |
| 34. Totals, whole life and endowment | | | 18,317 | 1,859,418 |
| 35. Totals (Lines 31 to 34) | 0 | 0 | 37,324 | 5,865,002 |

### CLASSIFICATION OF AMOUNT OF INSURANCE (a) BY PARTICIPATING STATUS

| | Issued During Year (Included in Line 2) | | In Force End of Year (Included in Line 21) | |
|---|---|---|---|---|
| | 1<br>Non-Participating | 2<br>Participating | 3<br>Non-Participating | 4<br>Participating |
| 36 Industrial | | | | |
| 37. Ordinary | 0 | | 5,864,126 | 877 |
| 38. Credit Life (Group and Individual) | | | | |
| 39. Group | 0 | | 986,321 | 0 |
| 40. Totals (Lines 36 to 39) | 0 | 0 | 6,850,447 | 877 |

### ADDITIONAL INFORMATION ON CREDIT LIFE AND GROUP INSURANCE

NONE

| | Credit Life | | Group | |
|---|---|---|---|---|
| | 1<br>Number of Individual Policies and Group Certificates | 2<br>Amount of Insurance (a) | 3<br>Number of Certificates | 4<br>Amount of Insurance (a) |
| 41. Amount of insurance included in Line 2 ceded to other companies | XXX | | XXX | |
| 42. Number in force end of year if the number under shared groups is counted on a pro-rata basis | | XXX | | XXX |
| 43. Federal Employees' Group Life Insurance included in Line 21 | | | | |
| 44. Servicemen's Group Life Insurance included in Line 21 | | | | |
| 45. Group Permanent Insurance included in Line 21 | | | | |

### ADDITIONAL ACCIDENTAL DEATH BENEFITS

| | |
|---|---|
| 46. Amount of additional accidental death benefits in force end of year under ordinary policies (a) | 32,762 |

### BASIS OF CALCULATION OF ORDINARY TERM INSURANCE

47. State basis of calculation of (47.1) decreasing term insurance contained in Family Income, Mortgage Protection, etc., policies and riders and of (47.2) term insurance on wife and children under Family, Parent and Children, etc., policies and riders included above.

47.1 New issues exact basis; older issues on level amount basis

47.2 New issues exact basis; older issues on level amount basis

### POLICIES WITH DISABILITY PROVISIONS

| | Industrial | | Ordinary | | Credit | | Group | |
|---|---|---|---|---|---|---|---|---|
| Disability Provisions | 1<br>Number of Policies | 2<br>Amount of Insurance (a) | 3<br>Number of Policies | 4<br>Amount of Insurance (a) | 5<br>Number of Policies | 6<br>Amount of Insurance (a) | 7<br>Number of Certifi-cates | 8<br>Amount of Insurance (a) |
| 48. Waiver of Premium | | | 4,043 | 193,067 | | | | |
| 49. Disability Income | | | | | | | | |
| 50. Extended Benefits | | | XXX | XXX | | | | |
| 51. Other | | | | | | | | |
| 52. Total | 0 | (b) 0 | 4,043 | (b) 193,067 | 0 | (b) 0 | 0 | (b) 0 |

(a) Amounts of life insurance in this exhibit shall be shown in thousands (omit 000)

(b) See Paragraph 9 of the Annual Audited Financial Reports in the General section of the annual statement instructions

# EXHIBIT OF NUMBER OF POLICIES, CONTRACTS, CERTIFICATES, INCOME PAYABLE AND ACCOUNT VALUES IN FORCE FOR SUPPLEMENTARY CONTRACTS, ANNUITIES, ACCIDENT & HEALTH AND OTHER POLICIES

## SUPPLEMENTARY CONTRACTS

| | Ordinary | | Group | |
|---|---|---|---|---|
| | 1<br>Involving Life Contingencies | 2<br>Not Involving Life Contingencies | 3<br>Involving Life Contingencies | 4<br>Not Involving Life Contingencies |
| 1. In force end of prior year | 0 | 0 | 0 | 0 |
| 2. Issued during year | | | | |
| 3. Reinsurance assumed | | | | |
| 4. Increased during year (net) | | | | |
| 5. Total (Lines 1 to 4) | 0 | 0 | 0 | 0 |
| Deductions during year: | | | | |
| 6. Decreased (net) | 1 | 7 | | |
| 7. Reinsurance ceded | (1) | (7) | | |
| 8. Totals (Lines 6 and 7) | 0 | 0 | 0 | 0 |
| 9. In force end of year | 0 | 0 | 0 | 0 |
| 10. Amount on deposit | | (a) | | (a) |
| 11. Income now payable | | | | |
| 12. Amount of income payable | (a) | (a) | (a) | (a) |

## ANNUITIES

| | Ordinary | | Group | |
|---|---|---|---|---|
| | 1<br>Immediate | 2<br>Deferred | 3<br>Contracts | 4<br>Certificates |
| 1. In force end of prior year | 0 | 0 | 0 | 0 |
| 2. Issued during year | | | | |
| 3. Reinsurance assumed | | | | |
| 4. Increased during year (net) | | | | |
| 5. Totals (Lines 1 to 4) | 0 | 0 | 0 | 0 |
| Deductions during year: | | | | |
| 6. Decreased (net) | 20 | 707 | | |
| 7. Reinsurance ceded | (20) | (707) | | |
| 8. Totals (Lines 6 and 7) | 0 | 0 | 0 | 0 |
| 9. In force end of year | 0 | 0 | 0 | 0 |
| Income now payable: | | | | |
| 10. Amount of income payable | (a) | XXX | XXX | (a) |
| Deferred fully paid: | | | | |
| 11. Account balance | XXX | (a) | XXX | (a) |
| Deferred not fully paid: | | | | |
| 12. Account balance | XXX | (a) | XXX | (a) |

## ACCIDENT AND HEALTH INSURANCE

| | Group | | Credit | | Other | |
|---|---|---|---|---|---|---|
| | 1<br>Certificates | 2<br>Premiums in Force | 3<br>Policies | 4<br>Premiums in Force | 5<br>Policies | 6<br>Premiums in Force |
| 1. In force end of prior year | 526,128 | 1,792,956,102 | 0 | 0 | 192,422 | 328,784,174 |
| 2. Issued during year | 111,509 | 300,534,207 | | | 37,197 | 50,579,235 |
| 3. Reinsurance assumed | | | | | | |
| 4. Increased during year (net) | | XXX | | XXX | | XXX |
| 5. Totals (Lines 1 to 4) | 637,637 | XXX | 0 | XXX | 229,619 | XXX |
| Deductions during year: | | | | | | |
| 6. Conversions | | XXX | XXX | XXX | XXX | XXX |
| 7. Decreased (net) | 230,509 | XXX | | XXX | 67,589 | XXX |
| 8. Reinsurance ceded | | XXX | | XXX | | XXX |
| 9. Totals (Lines 6 to 8) | 230,509 | XXX | 0 | XXX | 67,589 | XXX |
| 10. In force end of year | 407,128 | (a) 1,521,925,646 | 0 | (a) | 162,030 | (a) 270,980,845 |

## DEPOSIT FUNDS AND DIVIDEND ACCUMULATIONS

| | 1<br>Deposit Funds<br>Contracts | 2<br>Dividend Accumulations<br>Contracts |
|---|---|---|
| 1. In force end of prior year | 0 | 0 |
| 2. Issued during year | | |
| 3. Reinsurance assumed | | |
| 4. Increased during year (net) | | |
| 5. Totals (Lines 1 to 4) | 0 | 0 |
| Deductions During Year: | | |
| 6. Decreased (net) | | 13 |
| 7. Reinsurance ceded | | (13) |
| 8. Totals (Lines 6 and 7) | 0 | 0 |
| 9. In force end of year | 0 | 0 |
| 10. Amount of account balance | (a) | (a) |

(a) See Paragraph 9 of the Annual Audited Financial Reports in the General section of the annual statement instructions.

# SCHEDULE T - PREMIUMS AND ANNUITY CONSIDERATIONS

Allocated by States and Territories

| | | | Direct Business Only | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 1 | Life Contracts | | 4 | 5 | 6 | 7 |
| | | | 2 | 3 | | | | |
| | States, Etc. | Active Status | Life Insurance Premiums | Annuity Considerations | Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees | Other Considerations | Total Columns 2 through 5 | Deposit-Type Contracts |
| 1. | Alabama AL | L | 448,909 | 22,808 | 20,715,903 | | 21,187,620 | |
| 2. | Alaska AK | L | 10 | | 90,310 | | 90,320 | |
| 3. | Arizona AZ | L | 756,627 | 54,234 | 132,458,111 | | 133,268,972 | |
| 4. | Arkansas AR | L | 447,885 | 17,498 | 18,522,136 | | 18,987,519 | |
| 5. | California CA | L | 1,623,875 | 204,659 | 1,813,442 | | 3,641,976 | |
| 6. | Colorado CO | L | 707,910 | 30,722 | 79,680,176 | | 80,418,808 | |
| 7. | Connecticut CT | L | 832,644 | 128,622 | 47,339,259 | | 48,300,525 | |
| 8. | Delaware DE | L | 119,171 | 12,939 | 5,593,988 | | 5,726,098 | |
| 9. | District of Columbia DC | L | 82,206 | | 1,224,152 | | 1,306,358 | |
| 10. | Florida FL | L | 2,987,173 | 252,303 | 308,682,476 | | 311,921,952 | |
| 11. | Georgia GA | L | 955,291 | 38,859 | 35,351,409 | | 36,345,559 | |
| 12. | Hawaii HI | L | 174,014 | 9,673 | 74,950 | | 258,637 | |
| 13. | Idaho ID | L | 56,499 | 8,037 | 52,190 | | 116,726 | |
| 14. | Illinois IL | L | 3,312,715 | 236,995 | 87,237,615 | | 90,787,325 | |
| 15. | Indiana IN | L | 1,580,268 | 210,360 | 78,187,731 | | 79,978,359 | |
| 16. | Iowa IA | L | 796,383 | 17,537 | 19,578,448 | | 20,392,368 | |
| 17. | Kansas KS | L | 204,889 | 11,528 | 7,146,149 | | 7,362,566 | |
| 18. | Kentucky KY | L | 917,804 | 18,698 | 4,943,512 | | 5,880,014 | |
| 19. | Louisiana LA | L | 511,134 | 37,760 | 10,907,855 | | 11,456,749 | |
| 20. | Maine ME | L | 238,696 | 5,746 | 27,969 | | 272,411 | |
| 21. | Maryland MD | L | 1,159,749 | 30,764 | 67,615,210 | | 68,805,723 | |
| 22. | Massachusetts MA | L | 195,259 | 50,972 | 69,344 | | 315,575 | |
| 23. | Michigan MI | L | 2,296,121 | 69,811 | 111,401,587 | | 113,767,519 | |
| 24. | Minnesota MN | L | 625,398 | 77,199 | 1,430,699 | | 2,133,296 | |
| 25. | Mississippi MS | L | 268,436 | 25,452 | 34,237,257 | | 34,531,145 | |
| 26. | Missouri MO | L | 1,719,581 | 121,306 | 106,952,810 | | 108,793,697 | |
| 27. | Montana MT | L | 6,126 | 618 | 52,327 | | 59,071 | |
| 28. | Nebraska NE | L | 451,304 | 25,251 | 38,702,738 | | 39,179,293 | |
| 29. | Nevada NV | L | 177,103 | 20,265 | 31,441,871 | | 31,639,239 | |
| 30. | New Hampshire NH | L | 188,730 | 24,466 | 44,923 | | 258,119 | |
| 31. | New Jersey NJ | L | 92,006 | 14,359 | 1,160,173 | | 1,266,538 | |
| 32. | New Mexico NM | L | 139,772 | 6,459 | 1,384,485 | | 1,530,716 | |
| 33. | New York NY | N | 43,794 | 8,733 | 137,359 | | 189,886 | |
| 34. | North Carolina NC | L | 799,051 | 42,259 | 28,010,395 | | 28,851,705 | |
| 35. | North Dakota ND | L | 111,434 | | 82,777 | | 194,211 | |
| 36. | Ohio OH | L | 1,838,214 | 90,940 | 105,555,553 | | 107,484,707 | |
| 37. | Oklahoma OK | L | 439,732 | 29,676 | 37,239,105 | | 37,708,513 | |
| 38. | Oregon OR | L | 149,946 | 11,867 | 77,963 | | 239,776 | |
| 39. | Pennsylvania PA | L | 1,375,303 | 15,261 | 42,349,255 | | 43,739,819 | |
| 40. | Rhode Island RI | L | 53,657 | 5,372 | 12,476 | | 71,505 | |
| 41. | South Carolina SC | L | 577,108 | 53,558 | 55,996,295 | | 56,626,961 | |
| 42. | South Dakota SD | L | 265,131 | 6,180 | 1,595,401 | | 1,866,712 | |
| 43. | Tennessee TN | L | 1,512,360 | 34,573 | 41,641,670 | | 43,188,603 | |
| 44. | Texas TX | L | 3,103,055 | 218,973 | 137,387,380 | | 140,709,408 | |
| 45. | Utah UT | L | 131,771 | | 360,964 | | 492,735 | |
| 46. | Vermont VT | L | 59,051 | | 34,328 | | 93,379 | |
| 47. | Virginia VA | L | 1,278,650 | 52,626 | 45,675,855 | | 47,007,131 | |
| 48. | Washington WA | L | 311,578 | 1,916 | 224,310 | | 537,804 | |
| 49. | West Virginia WV | L | 304,786 | 27,617 | 12,542,360 | | 12,874,763 | |
| 50. | Wisconsin WI | L | 1,771,632 | 52,434 | 80,788,500 | | 82,612,566 | |
| 51. | Wyoming WY | L | 72,493 | | 7,714,635 | | 7,787,128 | |
| 52. | American Samoa AS | N | | | | | 0 | |
| 53. | Guam GU | L | | | 143 | | 143 | |
| 54. | Puerto Rico PR | N | | | | | 0 | |
| 55. | U.S. Virgin Islands VI | N | 0 | 0 | 0 | 0 | 0 | 0 |
| 56. | Northern Mariana Islands MP | N | | | | | 0 | |
| 57. | Canada CAN | N | | | | | 0 | |
| 58. | Aggregate Other Alien OT | XXX | 42,549 | 6,681 | 13,991 | 0 | 63,221 | 0 |
| 59. | Subtotal | (a) 51 | 38,314,983 | 2,444,566 | 1,851,561,920 | 0 | 1,892,321,469 | 0 |
| 90. | Reporting entity contributions for employee benefits plans | XXX | | | | | 0 | |
| 91. | Dividends or refunds applied to purchase paid-up additions and annuities | XXX | | | | | 0 | |
| 92. | Dividends or refunds applied to shorten endowment or premium paying period | XXX | | | | | 0 | |
| 93. | Premium or annuity considerations waived under disability or other contract provisions | XXX | | | | | 0 | |
| 94. | Aggregate or other amounts not allocable by State | XXX | 0 | 0 | 0 | 0 | 0 | 0 |
| 95. | Totals (Direct Business) | XXX | 38,314,983 | 2,444,566 | 1,851,561,920 | 0 | 1,892,321,469 | 0 |
| 96. | Plus reinsurance assumed | XXX | | | | | 0 | |
| 97 | Totals (All Business) | XXX | 38,314,983 | 2,444,566 | 1,851,561,920 | 0 | 1,892,321,469 | 0 |
| 98. | Less reinsurance ceded | XXX | 36,213,857 | 2,444,566 | 64,285 | | 38,722,708 | |
| 99. | Totals (All Business) less Reinsurance Ceded | XXX | 2,101,126 | 0 | (b) 1,851,497,635 | 0 | 1,853,598,761 | 0 |
| | DETAILS OF WRITE-INS | | | | | | | |
| 58001. | Aggregate Other Alien | XXX | 42,549 | 6,681 | 13,991 | | 63,221 | |
| 58002. | | XXX | | | | | | |
| 58003. | | XXX | | | | | | |
| 58998. | Summary of remaining write-ins for Line 58 from overflow page | XXX | 0 | 0 | 0 | 0 | 0 | 0 |
| 58999. | Totals (Lines 58001 through 58003 plus 58998)(Line 58 above) | XXX | 42,549 | 6,681 | 13,991 | 0 | 63,221 | 0 |
| 9401. | | XXX | | | | | 0 | |
| 9402. | | XXX | | | | | | |
| 9403. | | XXX | | | | | | |
| 9498. | Summary of remaining write-ins for Line 94 from overflow page | XXX | 0 | 0 | 0 | 0 | 0 | 0 |
| 9499. | Totals (Lines 9401 through 9403 plus 9498)(Line 94 above) | XXX | 0 | 0 | 0 | 0 | 0 | 0 |

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, etc., of premiums and annuity considerations

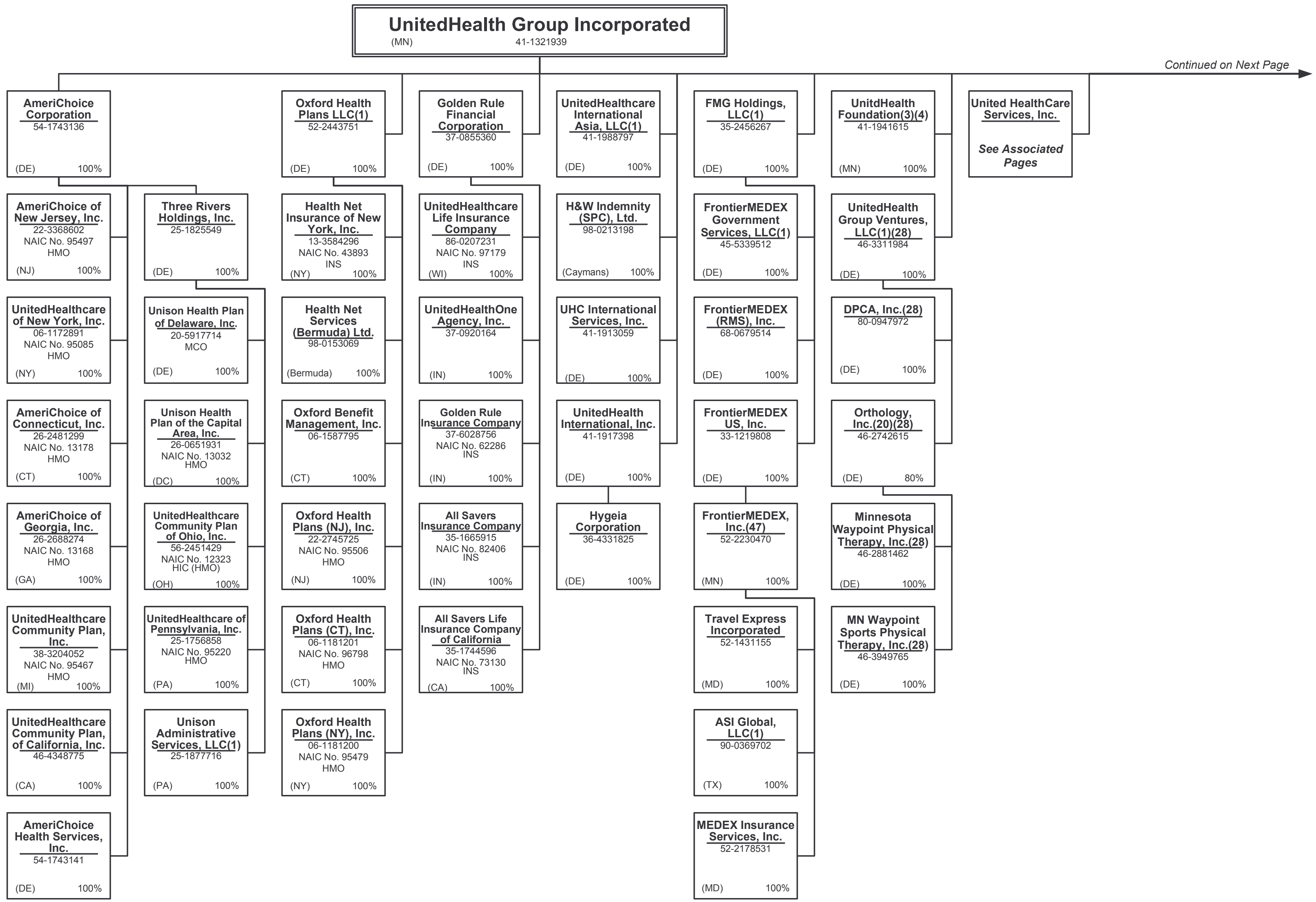
Allocation of premium based on insured's address state.

(a) Insert the number of L responses except for Canada and Other Alien.

(b) Column 4 should balance with Exhibit 1, Lines 6.4, 10.4, and 16.4, Cols. 8, 9, 10, or with Schedule H, Part 1, Line 1, indicate which: Exhibit 1.

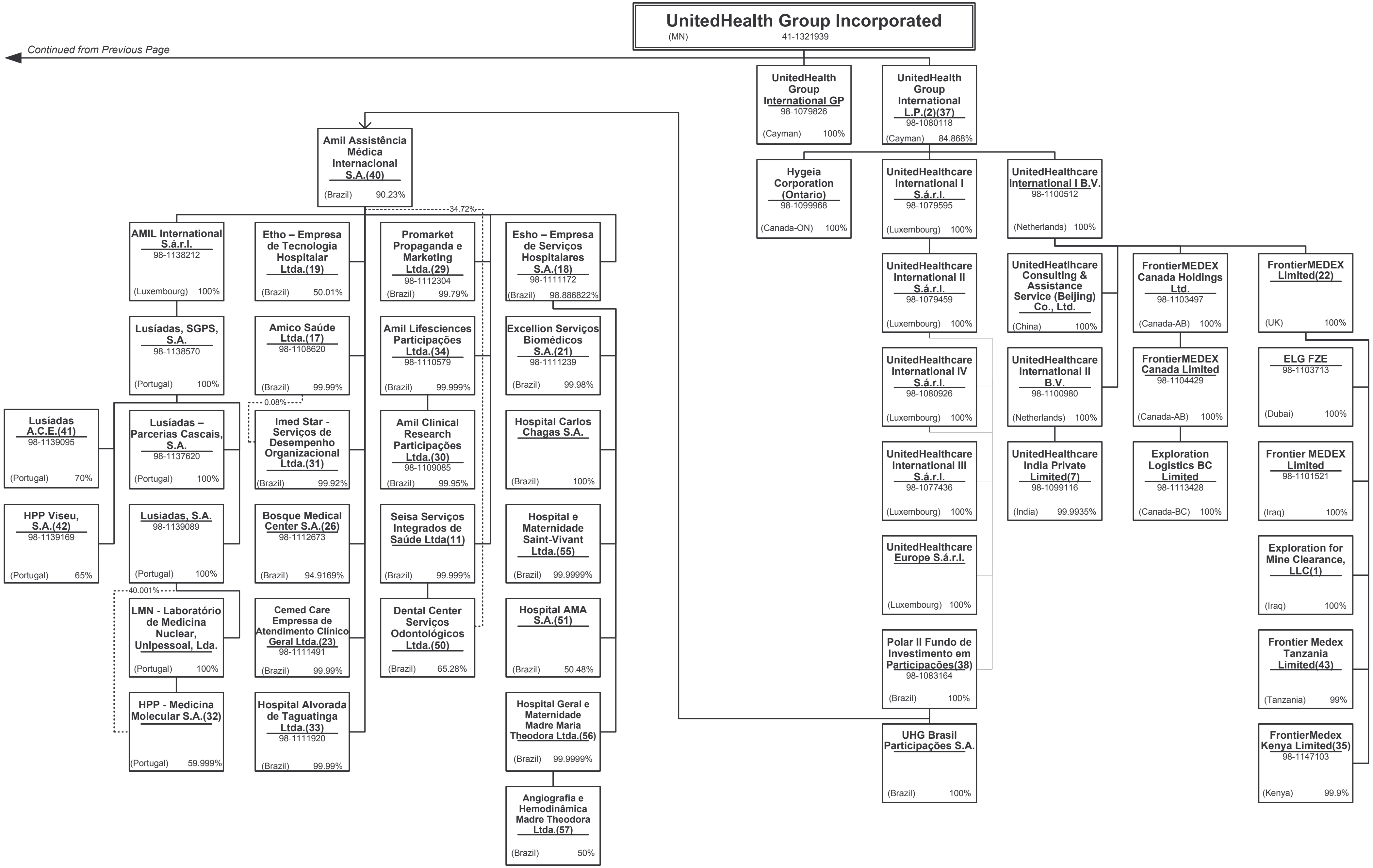
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

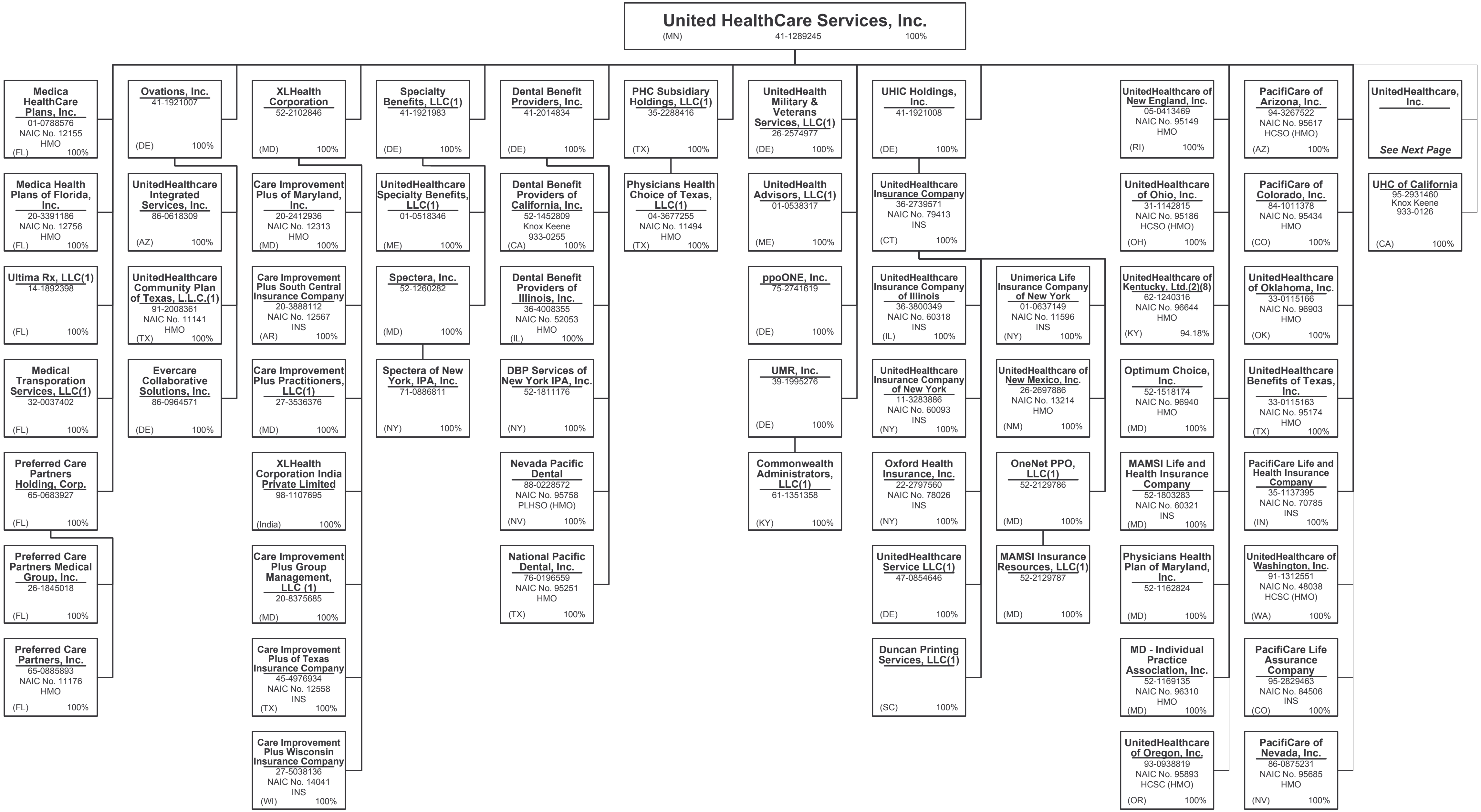
## PART 1 - ORGANIZATIONAL CHART



ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Golden Rule Insurance Company

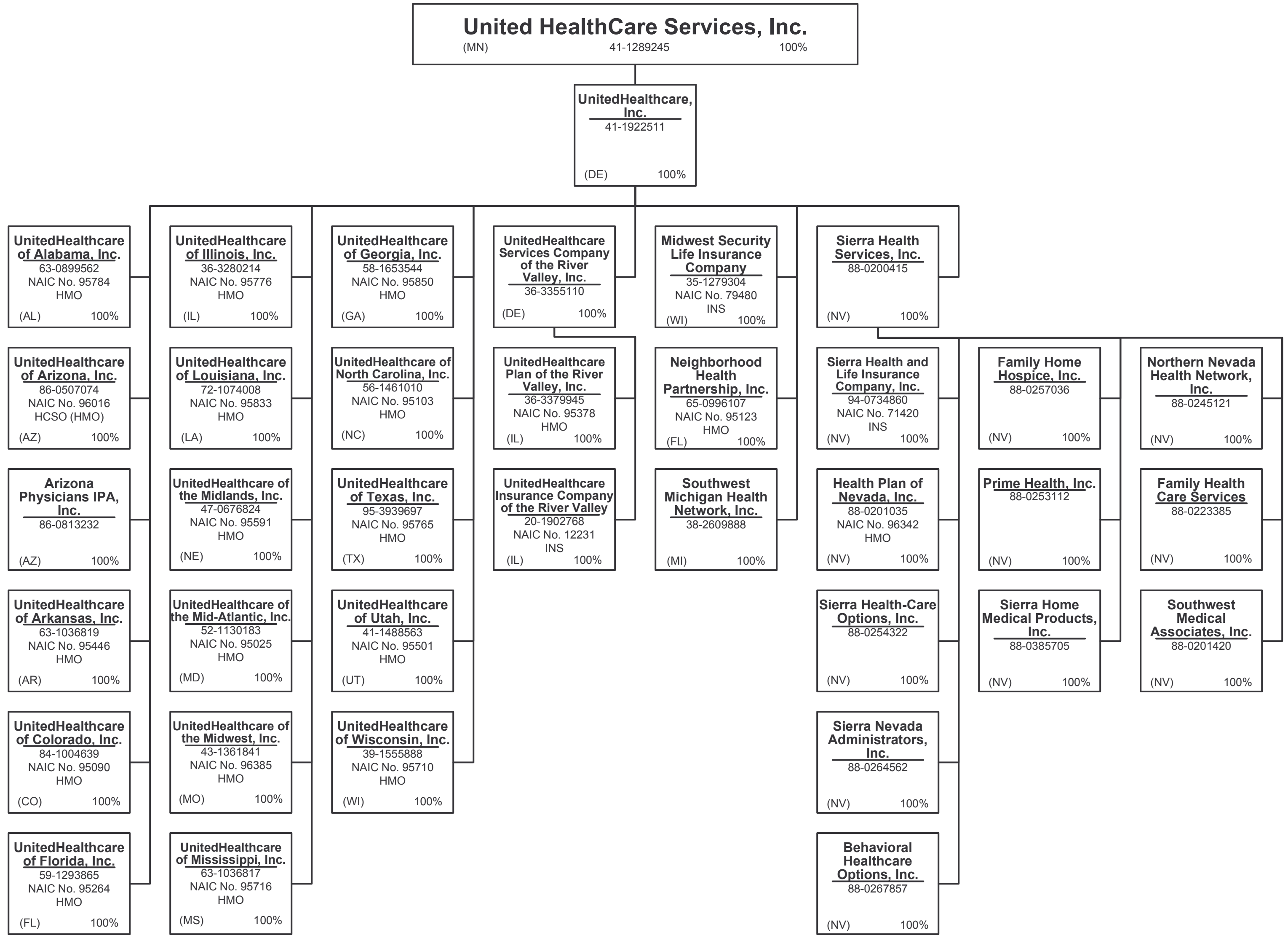
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



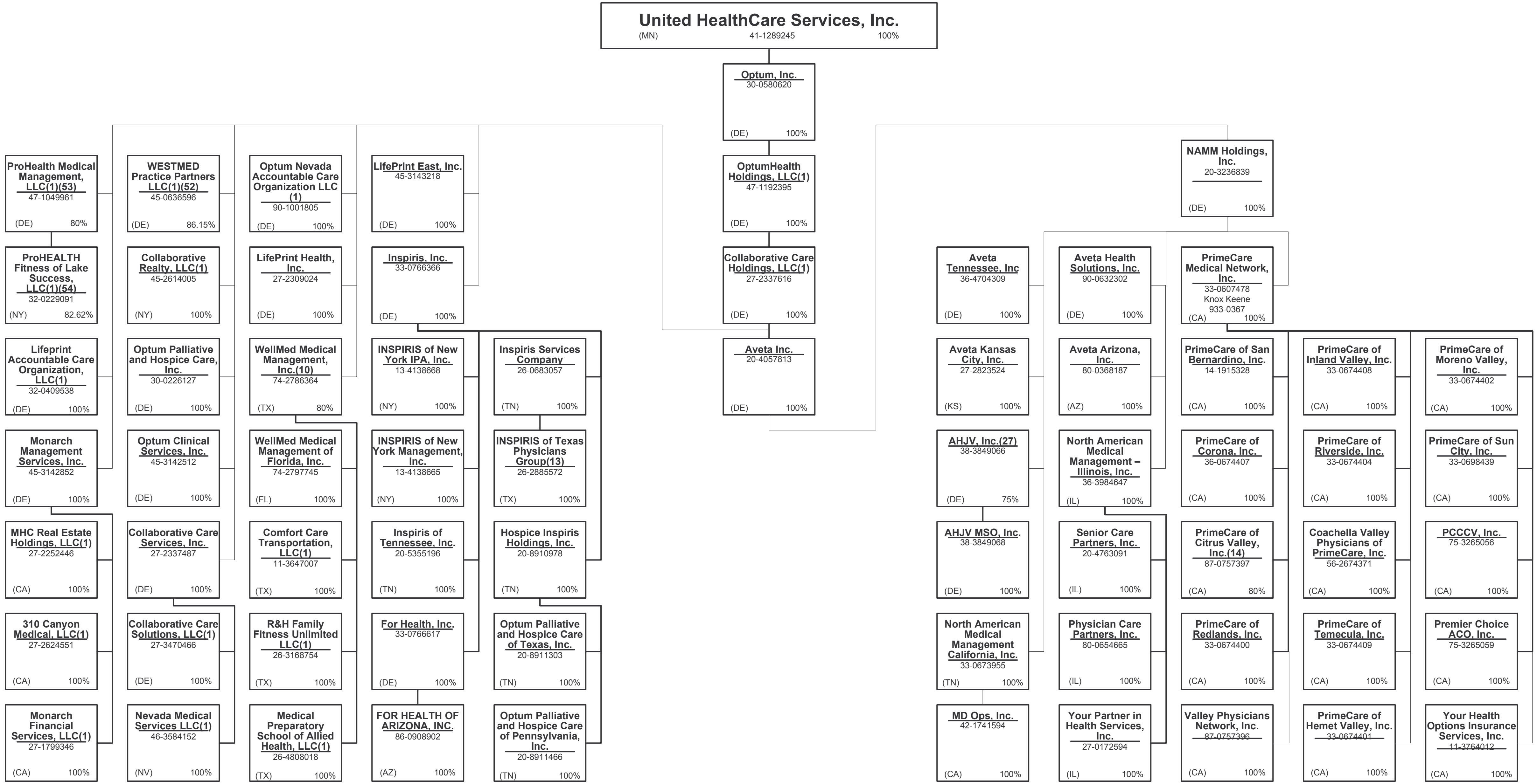
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



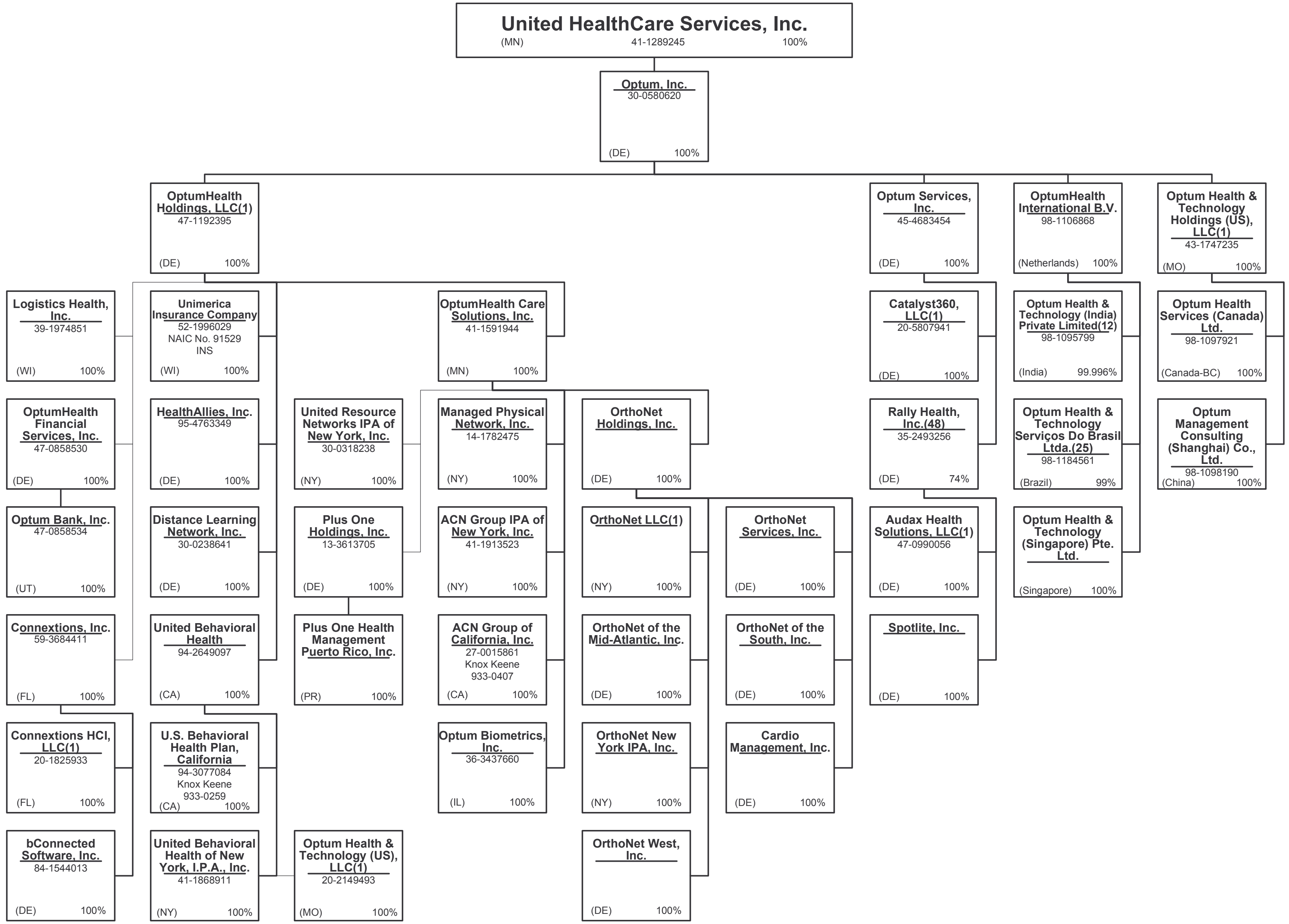
# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

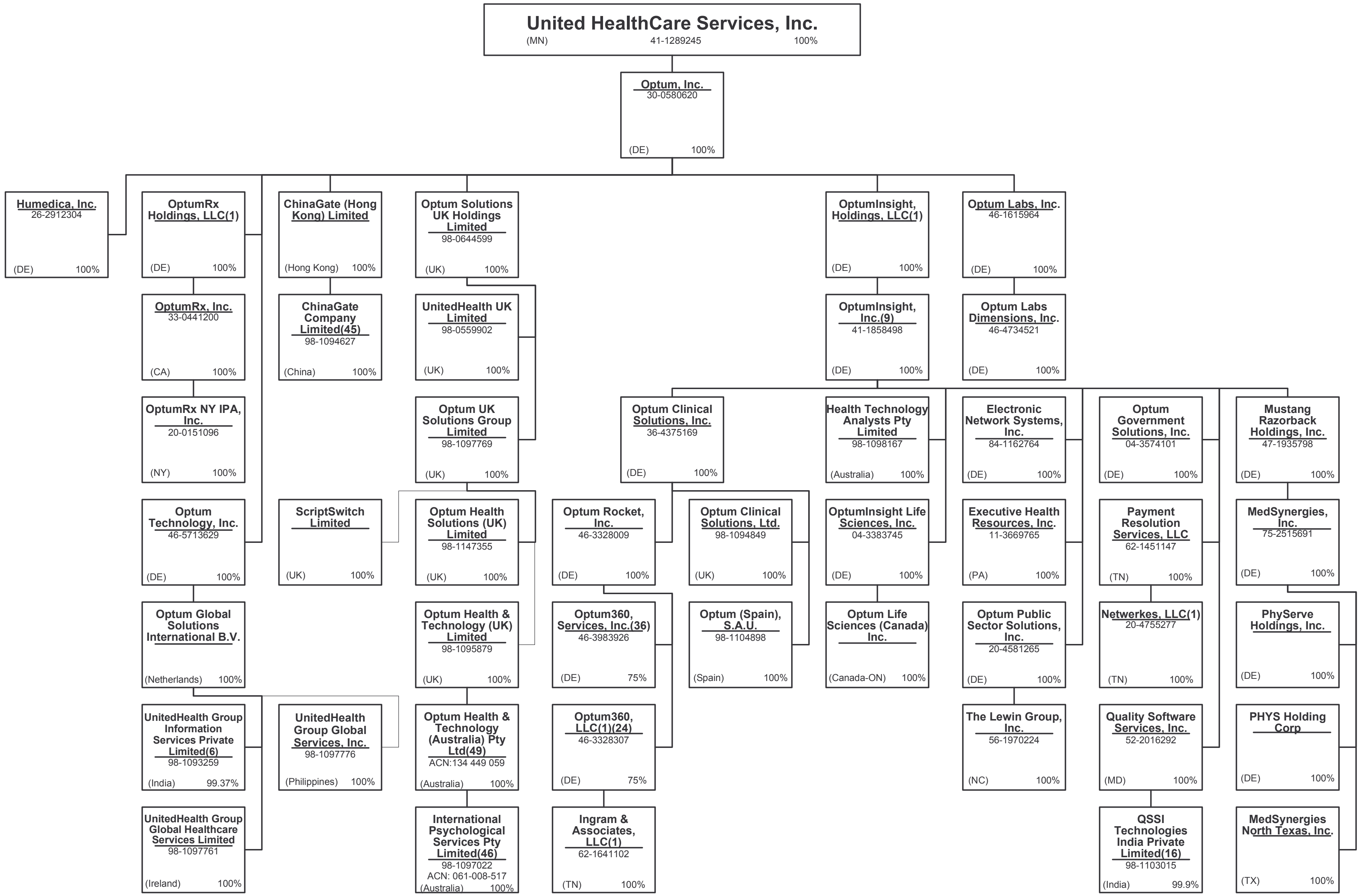
## PART 1 - ORGANIZATIONAL CHART



ANNUAL STATEMENT FOR THE YEAR 2014 OF THE Golden Rule Insurance Company

# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART



# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

## PART 1 - ORGANIZATIONAL CHART

## Notes

All legal entities on the Organization Chart are Corporations unless otherwise indicated.

(1) Entity is a Limited Liability Company

(2) Entity is a Partnership

(3) Entity is a Non-Profit Corporation

(4) Control of the Foundation is based on sole membership, not the ownership of voting securities

(5) Perdicaris Participações Ltda. Is 99.9999% owned by Esho – Empresa de Serviços Hospitalares S.A. and 0.0001% owned by ISO Hospital Dia S.A.

(6) UnitedHealth Group Information Services Private Limited is 99.37% owned by Optum Global Solutions International B.V. The remaining 0.63% is owned by UnitedHealth International, Inc.

(7) United Healthcare India Private Limited is 99.9935% owned by UnitedHealthcare International II B.V. and 0.0065% owned by UnitedHealth International, Inc.

(8) General partnership interests are held by United HealthCare Services, Inc. (89.77%) and by UnitedHealthcare, Inc. (10.23%). United HealthCare Services, Inc. also holds 100% of the limited partnership interests. When combined, United HealthCare Services, Inc. owns 94.18% and UnitedHealthcare, Inc. owns 5.83% of the company.

(9) Branch office located in Abu Dhabi, UAE.

(10) WellMed Medical Management, Inc. is 80% owned by Collaborative Care Holdings, LLC and 20% owned by WMG Healthcare Partners, L.P.

(11) Seisa Serviços Integrados de Saúde Ltda is 99.999994% owned by Amil Assistência Médica Internacional S.A. and 0.000006% owned by Dental Center Serviços Odontológicos Ltda.

(12) Optum Health & Technology (India) Private Limited is 99.996% owned by OptumHealth International B.V. and 0.004 % owned by United Behavioral Health.

(13) INSPIRIS of Texas Physicians Group is a Texas non-profit (taxable) whose sole member is Inspiris Services Company.

(14) PrimeCare of Citrus Valley, Inc. is 80% owned by PrimeCare Medical Network, Inc. and 20% owned by Citrus Valley Medical Associates, Inc.

(15) TBD

(16) QSSI Technologies India Private Limited is 99.9% owned by Quality Software Services, Inc. and 0.1% owned by an Indian citizen.

(17) Amico Saúde Ltda. is 99.9999996% owned by Amil Assistência Médica Internacional S.A. and 0.0000004% owned by an officer of Amil.

(18) Esho – Empresa de Serviços Hospitalares S.A. is 98.886822% owned by Amil Assistência Médica Internacional S.A.; 0.042571% owned by Treasury Shares and 1.070607% owned by external shareholders.

(19) Etho – Empresa de Technologia Hospitalar Ltda. 50.01% owned by Amil Assistência Médica Internacional S.A.and 49.99% owned by an external shareholder.

(20) Orthology, Inc. is 80% owned by UnitedHealth Group Ventures, LLC and 20% owned by external shareholders.(21) Excellion Serviços Biomédicos S.A.is 99.98% owned by Esho – Empresa de Serviços Hospitalares S.A and 0.02% owned by external shareholders.

(22) Branch offices in Iraq and Uganda.

(23) Cemed Care Empressa de Atendimento Clínico Geral Ltda. Is 99.999999% owned by Amil Assistência Médica Internacional S.A. and 0.000001% owned by an officer of Amil.

(24) Optum 360, LLC is 75% owned by Optum Rocket, Inc. and 25% owned by an external interest holder.

(25) Optum Health & Technology Serviços Do Brasil Ltda. is 99% owned byOptumHealth International B.V. and 1 % owned by OptumInsight, Inc.

(26) Bosque Medical Center S.A. is 94.917% owned by Amil Assistência Médica Internacional S.A.and 5.083% owned by Esho – Empresa de Serviços Hospitalares S.A.

(27) AHJV, Inc. is 75% owned by NAMM Holdings, Inc. and 25% owned by Humana, Inc.

(28) Entity is majority-owned by UHG or one of its affiliates. Corporate secretarial services for this entity are the responsibility of the portfolio company.

(29) Promarket Propaganda e Marketing Ltda.is 99.79% owned by Amil Assistência Médica Internacional S.A and 0.21% owned by Amico Saúde Ltd.

(30) Amil Clinical Research Participações Ltda. is 99.95% owned by Amil Lifesciences Participações Ltda. and 0.05% owned by an officer of Amil.

(31) Imed Star Serviços de Desempenho Organizacional Ltda.is 99.92% owned by Amil Assistência Médica Internacional S.A and 0.08% owned by Amico Saúde Ltd.

(32) HPP – Medicina Molecular, S.A. is 59.99852% owned by LMN - Laboratórios de Medicina Nuclear, Unipessoal, Lda. And 40.00148% owned by Lusíadas, S.A.

(33) Hospital Alvorada Taguatinga Ltda. Is 99.99% owned by Amil Assistência Médica Internacional S.A. and 0.000001% owned by an officer of Amil.

(34) Amil Lifesciences Participações Ltda. Is 99.99928% owned by Amil Assistência Médica Internacional S.A and 0.00072% owned by an officer of Amil.

(35) FrontierMedex Kenya Limited is 99.9% owned by FrontierMEDEX Limited and 0.1% owned by UnitedHealthcare International I B.V.

(36) Optum360 Services, Inc. is 75% owned by Optum Rocket, Inc. and 25% owned by an external interest holder.

(37) The limited partners of UnitedHealth Group International, L.P. include FMG Holdings, LLC (14.9292%), Hygeia Corporation (DE) (0.2028%) and UnitedHealth Group Incorporated (84.868%). UnitedHealth Group International GP is the general partner of UnitedHealth Group International, L.P.

(38) Polar II Fundo de Investimento em Participações is a Brazilian private equity investment fund incorporated in the form of a closed-end condominium.

(39) TBD

(40) Amil Assistência Médica Internacional S.A. is 90.23% owned by Polar II Fundo de Investimento em Participações and the remaining 9.77% is owned by the former controlling shareholders of Amil Assistência Médica Internacional S.A.

(41) Lusíadas A.C.E. is 67% owned by Lusíadas, SGPS, S.A., 10% owned by Lusíadas, S.A., 10% owned by Lusíadas – Parcerias Cascais, S.A., 5% owned by LMN - Laboratórios de Medicina Nuclear, Unipessoal, Lda., 5% owned by HPP – Medicina Molecular, S.A. and 3% owned by HPP Viseu, S.A.

(42) HPP Viseu, S.A. is 65% owned by Lusíadas, SGPS, S.A. The remaining 35% is jointly owned VISABEIRA Saúde - Serviços de Saúde, S.A.,VISABEIRA Participações Financeiras, SGPS, S.A., VISABEIRA Investimentos Financeiros SGPS, S.A. and Ciclorama - Estudos, Projectos e Produções, Lda.

(43) Frontier Medex Tanzania Limited is 99% owned by FrontierMEDEX Limited. The remaining 1% is owned by an officer of FrontierMEDEX Limited.

(44) TBD

(45) Liaison office located in Beijing.

(46) Branch office located in Hong Kong.

(47) Representative office in Beijing

(48) The remaining 26% is owned by internal and external investors.

(49) Branch office located in Hong Kong.

(50) Dental Center Serviços Odontológicos Ltda. is 65.28% owned by Seisa Serviços Integrados de Saúde Ltda. and 34.72% owned by Amil Assistência Médica Internacional S.A.

(51) Hospital AMA S.A. is 50.48% owned by Esho – Empresa de Serviços Hospitalares S.A. and 49.52% owned by Seisa Serviços Integrados de Saúde Ltda.

(52) WESTMED Practice Partners LLC is 86.15% owned by Collaborative Care Holdings, LLC and 13.85% owned by external shareholders.

(53) ProHealth Medical Management, LLC is 80% owned by Collaborative Care Holdings, LLC and 20% owned by an external shareholder.

(54) PROHEALTH FITNESS OF LAKE SUCCESS, LLC IS 82.62% owned by ProHealth Medical Management, LLC and 17.38% by an external shareholder.

(55) Hospital e Maternidade Saint-Vivant Ltda. is 99.9999% owned by Esho – Empresa de Serviços Hospitalares S.A. and 0.00001% owned by Cemed Care Empressa de Atendimento Clínico Geral Ltda.

(56) Hospital Geral e Maternidade Madre Maria Theodora Ltda. is 99.9999% owned by Esho – Empresa de Serviços Hospitalares S.A. and 0.00001% owned by Cemed Care Empressa de Atendimento Clínico Geral Ltda.

(57) Angiografia e Hemodinâmica Madre Theodora Ltda. Is 50% owned by Hospital Geral e Maternidade Madre Maria Theodora Ltda. And 50% owned by 28 individual partners.

# OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Liabilities Line 25

| | 1<br>Current Year | 2<br>Prior Year |
|---|---|---|
| 2504. Fines and Penalties | 75,000 | 75,000 |
| 2505. Unclaimed Property Payable | 3,582 | (98) |
| 2597. Summary of remaining write-ins for Line 25 from overflow page | 78,582 | 74,902 |

Additional Write-ins for Exhibit 2 Line 9.3

| | Insurance | | | | 5 | 6 |
|---|---|---|---|---|---|---|
| | 1 | Accident and Health | | 4 | | |
| | Life | 2<br>Cost Containment | 3<br>All Other | All Other Lines of Business | Investment | Total |
| 09.304. Professional Fees & Consulting | 20,822 | 1,404,709 | 18,070,041 | | | 19,495,572 |
| 09.305. Training & Recruiting | 673 | 45,399 | 584,004 | | | 630,076 |
| 09.397. Summary of remaining write-ins for Line 9.3 from overflow page | 21,495 | 1,450,108 | 18,654,045 | 0 | 0 | 20,125,648 |

# ALPHABETICAL INDEX

**ANNUAL STATEMENT BLANK**

**ANNUAL STATEMENT BLANK (Continued)**